



ANXIAN YUAN CHINA HOLDINGS LIMITED
安賢園中國控股有限公司*

(incorporated in Bermuda with limited liability)
(Stock Code: 00922)

ANNUAL REPORT
2020

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

COMPANY SECRETARY

Mr. Law Fei Shing

AUDIT COMMITTEE

Mr. Chan Koon Yung (*Committee Chairman*)

Mr. Lum Pak Sum

Mr. Yao Hong

REMUNERATION COMMITTEE

Mr. Chan Koon Yung (*Committee Chairman*)

Mr. Lum Pak Sum

Mr. Yao Hong

NOMINATION COMMITTEE

Mr. Shi Hua (*Committee Chairman*)

Mr. Chan Koon Yung

Mr. Lum Pak Sum

Mr. Yao Hong

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

CMB 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

4th floor

North Cedar House

41 Cedar Avenue

Hamilton HM 12, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Abacus Limited

Level 54, Hopewell Centre

183 Queen's Road East, Hong Kong

SHARE INFORMATION

Stock code: 00922

Board lot: 10,000 shares

WEBSITE

www.anxianyuanchina.com

CHAIRMAN'S STATEMENT

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 2020.

During the financial year 2020, various project businesses of the Group had made considerable progress. The core projects continued to develop steadily, while robust development was shown in other projects, which created a positive environment with synergistic effects. Given the brand under the Group had been gaining social influence, the corporate image was unprecedentedly enhanced and extended.

Being the flagship project, Zhejiang Anxian Yuan successfully completed the annual marketing plan target in this financial year. Meanwhile, in active response to the government initiatives of green ecology and land-saving funeral, its new product cemetery also completed the transformation from traditional to land-saving, artistic and ecological successfully. It gained recognition from society and thus brought strong vitality to our development. Not only did "Green funeral" follow the trend and requirement of national development of funeral and burial industry, but it also laid a foundation for the sustainable development of the cemetery. Zhejiang Anxian Yuan had been advancing with the times and was committed to the new practice of turning the cemetery into a "life culture education base", making itself a famous patriotism education base in Zhejiang area. Many celebrities rested in the cemetery, including social elites, cultural masters, revolutionary ancestors and education pioneers in memorial cemetery with different themes. In addition, various humanities memorial events of social significance had taken place in the cemetery, such as the "Stay true to missions with an unwavering heart" held with grandeur at War Hero Memorial Cemetery of Zhejiang Anxian Yuan — The activities in honor of the 70th anniversary of the establishment of the People's Republic of China and in commemoration of the 74th anniversary of the victory of the Anti-Japanese War had won the attention and praise of all walks of life.

The Group upholds the philosophy of "city, garden and harmony" in project construction and development. Currently, the Yin Chuan Fu Shou Yuan has gradually become a model unit for cultural cemetery, green cemetery and sunny harmony cemetery in the western regions. Under the call of the local government, it organized patriotic education, humanistic commemoration, social philanthropy and other events for multiple times in order to proactively promote the development of funeral culture in the region. During this financial year, the Yin Chuan Fu Shou Yuan honorably hosted a highlighted event in the theme of "World Fusion by Life" in the main venue in China on Remembrance Day. The China Funeral Association and nearly 600 colleagues from all over the country attended the event. It received instant attention from the World Funeral Association and the South American Funeral Association, greatly increasing the influence of the Group to nationwide and even the world funeral industry, thus forming an increasingly influential and visible brand image of the Group.

During this financial year, under the mature business philosophy and management experience of the Group, Zunyi Dashenshan Cemeteries achieved remarkable market benefits and showed huge vitality and room for development. Guided by the cultural concept of "a view of paradise, a tour of the mundane world", the Cemeteries were fully upgraded from the funeral conditions of funeral parlors to landscape and environment of the Cemeteries. The existing service items in the pavilion include transportation of remains, keeping spirits, refrigeration, facelift, farewell, cremation, placement of spiritual bone, all come with complete supporting facilities and professional technicians. Adhering to the industry purpose of "end of life, endless service", the Group strives to provide customers with professional, quality, humanized and personalized services, which have been widely recognized by the local governments and the general public. The Group upholds the brand direction of "Culture inheritance, Congregation of talents and resources, and Formation of ecology", and plans to shape Dashenshan Cemeteries into a benchmark enterprise in the provincial cemeteries within three years. It will establish a leading role in the implementation of the funeral reform in Guizhou, and open a new chapter in Guizhou Province by building parks and cemeteries with green funeral and burial concepts.

CHAIRMAN'S STATEMENT

The Group has always attached high importance to the reserve of management talents and professional training of service crew, especially to strengthen the training and nurture of both management personnel and service staff. The Group has formulated a scientific talent training plan. Through various types of on-the-job training and continuing education, it has comprehensively improved the overall quality of staffers and optimized the management hierarchy by way of leading the juniors by the seniors so as to reserve talents for long-term development of the Group in the future. The Group conducted business evaluations of subsidiaries at all levels in accordance with their respective local conditions, standardized operation procedures, service standards and images. It has gradually formed a set of unified and flexible “Anxian Member” service system and working philosophy, which laid a more solid and stable foundation for the long-term management and operation of the Group.

The Group remains true to its original aspiration, adheres to the people-oriented business philosophy, and actively undertakes corporate, social, industry, historical and public responsibilities. During this financial year, the Group built and opened a number of humanities memorial halls combining the inheritance of civilization and remembering of sages, which further expanded the social education function of the Group, promoted the development of regional funeral and burial culture and the progress of social civilization, as well as realized the innovative use of the cemetery culture to meet the growing cultural needs of the people. Furthermore, the various cemeteries under the Group actively promote funeral reforms by performing green graveside rituals for land-saving funeral and burial of the deceased, advocate and promote new concepts of funeral and burial to society in aspects of ecology, land conservation, environmental friendliness and low carbon, and carry forward the spirit of land conservation as “Land-saving ecological burial help protecting nature” which further presents the meaning of life, thereby mobilizing the public to jointly implement the new concept of funeral and burial of “green ecology”. Amid the pandemic outbreak, the Group comprehensively improved services under the premise of ensuring the prevention and control of the pandemic. It also upgraded the network platforms of various cemeteries so as to make full use of online worship, and actively launched virtual “Cloud Worship” to society as a more convenient memorial way of grave-sweeping associated with provision of services, including “Valet Tomb Visits” and “Online Personal Memorial Hall”.

Looking forward, on behalf of the management of the Group, I will coordinate all staff members in the new financial year with an unwavering heart and forge ahead through challenges. While constantly optimizing ourselves, we will continue to uphold the “people-oriented” business management philosophy, stay up-to-date, and deepen and explore the core areas of funeral business. In the hope of forming an open, diverse and flexible corporate culture that respects life, inherits culture, combines traditional Chinese values and Western cultural ideas, the Group is committed to building up an efficient and professional team and a scientific operating system. By formulating new standards for the modern funeral and burial industry, leading and promoting the progress and change of the Chinese funeral and burial industry, we endeavor to realize our industrial ambition of “Touching the hearts of people in both worlds”. We promise to return society and customers with the most professional attitude and the highest quality of services and reward the shareholders and investors with good performance.

Shi Hua
Chairman

Hong Kong, 30 June 2020

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

"Filial piety" is a key component of traditional Chinese culture. Aging population in the PRC has been increasing in recent years. According to statistics, it is estimated that the elderly population of aged 65 or above will hit over 300 million by 2035. With such huge population base, inheritance of customs and culture with respect to funeral and burial, the rising consumption power, and the increasing emotional demands and pursuit of quality in respect of funeral and burial services, all have laid a critical foundation for the development of funeral and burial industry in the PRC.

Along with the acceleration of urbanisation, the Chinese government responded to the needs of the new era by constantly deepening the funeral and burial reforms, and actively promoting the governance system and capacity of funeral and burial in order to pave the way for modernisation, thereby generated enormous new demands for funeral and burial services. The comprehensive implementation of funeral and burial reforms is a solid evidence for the immense development potentials and market opportunities in the funeral and burial industry, in which it fully demonstrated itself to be a promising industry.

BUSINESS REVIEW AND OUTLOOK

As one of the earliest service providers in funeral and burial industry in the PRC, the Group strives to provide quality funeral and burial services. It aims at realising the synergy and sustainable development for the health of enterprises, industry and society by taking its position in the reformation and development of contemporary cemetery industry across the country.

During the Year under review, the Group proactively promoted sustainable funeral and burial models and organised the business development and management of all of its cemeteries. With continuous in-depth cultivation of its core businesses, it actualised the comprehensive development of both "funeral" and "burial" businesses. As the core project of the Group, Zhejiang Anxian Yuan is a top-notch ecological and humanistic cemetery in the province and even in the entire PRC, where numerous late sages and masters were buried. The project also passed the "Three in One" (ISO quality, environment, and occupational health and safety) international standard certification. Meanwhile, leveraging on the successful development experience of its core project, the Group constantly enhanced its continuous investment in Yin Chuan Fu Shou Yuan and Zunyi Dashenshan Cemeteries. There was a vigorous growth in revenue during the Year. As one of the leaders in the funeral and burial service industry in the PRC, the Group proactively responded to the call from the government and endeavoured to promote innovative conceptions such as humanistic funeral and burial, charitable funeral and burial, green funeral and burial, scientific funeral and burial, and online grave sweeping. Among which, land-saving wall burial was widely accepted and acquired satisfying profits. With an unwavering heart, the Group always persisted in protecting and upholding historical customs and promoting traditional culture with emphasis on the sense of commitment to provide humanistic care. During the Year, a number of humanistic memorial parks were renovated and the social welfare and historical memorial activities acquired positive feedbacks from the different sectors of the society. With regard to management, the Group continued to optimise its internal management and training system and further facilitated the growth and development of "Anxian Member", which infused a stronger driving force of talents for the actualisation of the Group's vision of future.

Looking forward, the Group will continue to solidify and develop its existing projects and unearth its brand value. With persistence in green funeral and burial as its core value and tremendous effort in facilitating the progression of modernised, ecological and humanistic reformation of Chinese funerals and burials, the Group will expand the high-quality funeral and burial services and humanistic conceptions to more regions in the PRC and proactively lay down a new benchmark for the funeral and burial industry in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the Year, the Group recorded net profit of approximately HK\$52.5 million (2019: approximately HK\$17.0 million) and revenue of approximately HK\$287.0 million (2019: approximately HK\$223.1 million). The Group's earnings before interest and tax was approximately HK\$80.8 million (2019: approximately HK\$40.8 million). Increase in the Group's net profit by approximately HK\$35.5 million year-on-year was mainly due to:

- (i) The Group recorded an increase in revenue by approximately HK\$63.9 million year-on-year. Such increase was primarily due to the PRC government encourages land-saving ecological burial (節地生態安葬), which has increased demand for the Group's large-scaled wall burial (壁葬) in Hangzhou cemetery; and
- (ii) The Group recorded a decrease in administrative expenses by approximately HK\$11.9 million year-on-year. Such decrease was primarily due to absence of expenses which are non-recurring in nature for the year ended 31 March 2019 including (a) loss on disposal of a subsidiary and an associate of approximately HK\$3.0 million; and (b) impairment loss on other receivables of approximately HK\$5.0 million.

Of the total revenue of approximately HK\$287.0 million, sales of tombs and niches amounted to approximately HK\$266.6 million (2019: approximately HK\$199.6 million).

Total assets and net assets of the Group as at 31 March 2020 were approximately HK\$1,069.0 million (2019: approximately HK\$1,098.7 million) and approximately HK\$680.3 million (2019: approximately HK\$658.1 million) respectively. The increase in net assets was mainly due to increase in net profit, after netoff with depreciation of RMB against HK\$.

LIQUIDITY AND FINANCIAL RESOURCES

During the Year, the net cash inflow was approximately HK\$47.8 million (2019: outflow of approximately HK\$10.4 million). As at 31 March 2020, the cash and cash equivalents of the Group was approximately HK\$77.7 million (2019: approximately HK\$35.0 million). The Group had short-term bank and other borrowings of approximately HK\$49.3 million (2019: approximately HK\$74.9 million) and long-term bank and other borrowings of approximately HK\$114.2 million (2019: approximately HK\$137.3 million) as at 31 March 2020. During the Year, the Group had spent approximately HK\$37.7 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 2019, the outstanding amount of this loan was HK\$30,000,000. During the Year, the Group repaid an amount of HK\$30,000,000 to Excel Precise. The loan has been fully repaid accordingly. The repayment was funded by the internal resources of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

GEARING RATIO

The gearing ratio (total liabilities/total assets) at the end of the Year was 0.36 (2019: 0.40).

PLEDGE OF ASSETS

As at 31 March 2020, certain properties with an aggregate net carrying amount of HK\$16,712,000 (2019: approximately HK\$18,402,000) were pledged for certain interest-bearing bank and other borrowings.

As at 31 March 2020, 98.38% equity interest in Zhejiang Anxian Yuan was pledged to secure the bank borrowings granted to this subsidiary (2019: Nil).

LITIGATION

No outstanding litigation of the Group as at 31 March 2020 was noted (2019: Nil).

FINANCIAL GUARANTEE

No outstanding financial guarantee of the Group as at 31 March 2020 was noted (2019: 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 2020, the Group had 13 employees (including Directors) (2019: 13 employees) and 285 employees (2019: 346 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\$45.0 million (2019: approximately HK\$46.2 million), of which contribution to mandatory provident fund were approximately HK\$121,000 (2019: approximately HK\$120,000). No share options were granted during the Year (2019: Nil). Details of the share options granted are set out in note 35 to the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS FROM PLACING OF NEW SHARES

Reference was made to the Company's announcements dated 29 November 2019 and 17 December 2019 (the "Placing Announcements"). The Group successfully raised a net proceeds of approximately HK\$21.9 million through the placing (the "Placing") of 148,000,000 new Shares (the "Placing Shares") by the placing agent to not less than six independent professional, institutional and other individual investors at the placing price of HK\$0.15 each on 17 December 2019 for repayment of existing debts and payables with an intention to improve the Group's financial position, gearing and liquidity and as general working capital of the Group. Upon the completion of the Placing, the Company received gross proceeds of approximately HK\$22.2 million and net proceeds, after deducting all applicable costs and related expenses, of approximately HK\$21.9 million representing a net issue price of approximately HK\$0.14775 per Placing Share on 17 December 2019.

An analysis of the intended use of net proceeds as stated in the Placing Announcements, the actual use of net proceeds up to 31 March 2020 and the expected timeline for utilising the remaining unutilised net proceeds are set out as below.

	Intended use of net proceeds as stated in the Placing Agreements	Actual use of net proceeds up to 31 March 2020	Remaining balance of unutilised net proceeds
	HK\$'000	HK\$'000	HK\$'000
Repayment of existing debts and payables	13,400	6,818	6,582
General working capital	8,467	8,467	–
	21,867	15,285	6,582

The remaining balance of unutilised net proceeds of approximately HK\$6,582,000 as at 31 March 2020 is expected to be utilised for repayment of existing debts and payables in April 2020 according to the intentions previously disclosed in the Placing Announcements. The Company has applied the net proceeds from the Placing in accordance with the proposed intentions as set out in the Placing Announcements.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

In August 2019, Hangzhou Fuyixian, an indirect wholly-owned subsidiary of the Company, has acquired additional 1.62% equity interests in Zhejiang Anxian Yuan, a 98.38% indirectly owned subsidiary of the Company as at 31 March 2019, from 浙江富安移民經濟開發有限公司 (in English, for identification purpose, Zhejiang Fu An Immigration Economic Development Company Limited), a connected person of the Company (as defined in the Listing Rules) (the "Acquisition"). Completion of the Acquisition took place in August 2019. Upon completion of the Acquisition, the Company indirectly owned 100% equity interest in Zhejiang Anxian Yuan, details of which were set out in the Company's announcement dated 15 August 2019.

On 14 March 2020, Anxian Yuan (Zhejiang) and the investment partners ("Partners") entered into a non-legally binding memorandum of understanding ("MOU") in relation to possible investment by Anxian Yuan (Zhejiang) in 阜陽市天壽園陵園管理有限公司 (Fuyang Tianshouyuan Cemetery Management Co., Ltd.)*(the "Target Company") by way of capital injection and its development of a commercial cemetery (經營性公墓), subject to the entering into of the formal agreement. Pursuant to the MOU, Anxian Yuan (Zhejiang) and the Partners have agreed to invest in the first phase of the commercial cemetery with an aggregate amount of RMB90 million (including the existing registered capital of the Target Company of RMB10 million which has not yet been paid up as at the date of this report), of which Anxian Yuan (Zhejiang) and the Partners shall invest RMB24 million and RMB6 million in the Target Company, respectively. Upon completion of the capital injection, the registered capital of the Target Company shall be increased from RMB10 million to RMB30 million while the respective shareholding of the Company and the Partners will be 80% and 20%. In addition, each of the shareholders of the Target Company is required to invest in the Target Company, based on their pro-rata shareholding interest in the Target Company after the capital injection, i.e. RMB60 million being the difference between the total first phase investment of RMB90 million and the total paid up capital after the capital injection of RMB30 million, for the development of the Target Company. Upon completion of the first phase of the commercial cemetery, it is expected that the commercial cemetery will record operating cash inflow which will then be utilised to develop the commercial cemetery continuously. According to the MOU, the Company and the Partners should enter into the formal agreement within six months from the date of the MOU, being 14 March 2020. The six months period will expire on 13 September 2020. As at the date of this report, the Company is still conducting due diligence on the Target Company, details of which were set out in the Company's announcement dated 25 March 2020 and the Company's circular dated 29 April 2020.

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 (2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

PROPOSED RIGHTS ISSUE AND WHITEWASH WAIVER

Reference is made to the announcements of the Company dated 25 March 2020, 14 April 2020 and 29 April 2020 respectively and the circular of the Company dated 29 April 2020. On 19 March 2020, the Company proposed to raise gross proceeds from approximately HK\$32.2 million to approximately HK\$133.3 million (before deduction of estimated professional fees and other related expenses of approximately HK\$1.3 million) on the basis of three (3) rights shares for every two (2) shares held on the record date by issuing from 321,567,000 rights shares up to 1,332,817,890 rights shares at the subscription price of HK\$0.10 per rights share (the "Rights Issue").

The Rights Issue will not be available to the excluded shareholders. The Rights Issue is conditional upon, among other things, the executive director of the Corporate Finance Division of the Securities and Futures Commission having granted the Whitewash Waiver to Mr. Shi Hua prior to the posting date. The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event there is an undersubscription of the Rights Issue, the size of the Rights Issue will be reduced accordingly.

On 19 March 2020, the Company respectively entered into the deed of covenants and undertakings with Mr. Shi Hua and the deed of covenants and undertakings with Mr. Shi Jun, whereupon Mr. Shi Hua and Mr. Shi Jun had irrevocably undertaken to the Company that, among other things, subject to Mr. Shi Hua having obtained the whitewash waiver, they will accept in full the Rights Shares proposed to be provisionally allotted to them pursuant to the Rights Issue for the full amount payable in respect of such Rights Shares, which shall amount to not less than approximately HK\$32.1 million in aggregate. Mr. Shi Hua confirmed that he intends to apply for excess Rights Shares if there is an undersubscription of the Rights Issue. Mr. Shi Jun does not intend to apply for excess Rights Shares if there is an undersubscription of the Rights Shares.

A special general meeting of the Company was held on 28 May 2020 to pass the resolutions for approving the Rights Issue and the whitewash waiver, details of the poll results of the special general meeting are set out in the Company's announcement dated 28 May 2020.

CORONAVIRUS DISEASE 2019 (COVID-19)

Starting from January 2020, measures to restrict personal travel and gathering have been implemented throughout the PRC to prevent the spread of the COVID-19. Such measures slightly affected the Group's business in February and March 2020. The Group has already taken steps to cope with the situation and the Group. Therefore, we consider such impact to be insignificant to the Group's business.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Shi Hua, aged 68, was appointed as an executive Director on 20 June 2011. He is also the chairman of the Company and chairman of the Nomination Committee as from 15 December 2011 and 30 March 2012, respectively. Mr. Shi Hua was the chief executive officer of the Company 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 the Company's 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 also has been the president of Funeral Association of Zhejiang Province since September 2018. Mr. Shi Hua is the father of Mr. Shi Jun who is an executive Director and the chief executive officer of the Company.

Mr. Shi Jun, aged 38, was appointed as an executive Director and chief executive officer of the Company 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 Etiquette Service Company Limited* (杭州好樂天禮儀服務有限公司) as a deputy general manager responsible for the company's overall business operations. 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 also has been the president of Funeral Association of Hangzhou since May 2018. 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 60, was appointed as an Independent Non-executive Director on 4 June 2009 and was redesignated 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 30 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).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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 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 66, 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 61, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Lum Pak Sum, aged 59, 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: 1402)	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
China Graphene Group Limited (stock code: 63)	Independent non-executive director	September 2019 to present
Jintai Energy Holdings Limited (formerly known as 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
CHK Oil Limited (formerly known as 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 60, 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 nonferrous 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).

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Company's subsidiaries are set out in note 1 to the financial statements.

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 10. This discussion forms part of this directors' report.

FINANCIAL 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 73 and 74 respectively.

The Directors do not recommend the payment of any dividend for the Year (2019: 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 31 to the financial statements.

RESERVES

Details of movements in the Company and the Group during the Year are set out in note 45 to the financial statements and in the consolidated statement of changes in equity on page 77 respectively.

RESERVES AVAILABLE FOR DISTRIBUTION

As at 31 March 2020, the aggregate amount of reserves available for distribution to equity holders of the Company was approximately HK\$183,962,000 (2019: approximately HK\$178,057,000).

DONATIONS

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

DIRECTORS' REPORT

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 2020 (2019: Nil).

BANK AND OTHER BORROWINGS

Details of bank and other borrowings of the Group as at 31 March 2020 are set out in note 28 to the financial statements.

DIRECTORS

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

Executive Directors

Mr. Shi Hua (*Chairman*)

Mr. Shi Jun (*Chief Executive Officer*)

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

Non-executive Director

Mr. Wang Hongjie

Independent Non-executive Directors

Mr. Chan Koon Yung

Mr. Lum Pak Sum

Mr. Yao Hong

In accordance with Bye-laws No. 84, Mr. Shi Jun, Mr. Wang Hongjie and Mr. Lum Pak Sum will retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election at the forthcoming AGM.

DIRECTORS' REPORT

CHANGE OF DIRECTORSHIP

During the Year, there was no change of the directorship of the Company.

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 2020 of the Company are set out below:

- (i) Mr. Lum Pak Sum, an independent non-executive Director, has been appointed as an independent non-executive director of China Graphene Group Limited (a company listed on the Main Board of the Stock Exchange, stock code: 63) with effect from September 2019.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 11 to 13 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 2020, 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.

DIRECTORS' REPORT

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 2020, 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	2.50%	
	Interest of controlled corporation	180,000,000	20.25%	1
Mr. Shi Jun	Beneficial Owner	12,200,000	1.37%	
Mr. Law Fei Shing	Beneficial Owner	2,800,000	0.32%	

Notes:

- 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.
- The percentages are calculated based on the total number of ordinary shares of the Company in issue as at 31 March 2020 which was 888,545,260.

Save as disclosed above, as at 31 March 2020, 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 2020, 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	20.25%	1
Yan Zulin	Beneficial Owner	44,644,000	5.02%	

Notes:

- 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".
- The percentages are calculated based on the total number of ordinary shares of the Company in issue as at 31 March 2019 which was 888,545,260.

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.

DIRECTORS' REPORT

OTHER INTERESTS DISCLOSEABLE UNDER THE SFO

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

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

Save as disclosed above, at no time during the Year had the Directors and the Chief Executives (including their spouses and children under 18 years of age) any interest in, or been granted, or exercised any rights to subscribe for the Shares (or warrants or debentures, if applicable) 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 39 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.

EQUITY-LINKED AGREEMENTS

Other than the share option scheme of the Company as disclosed below, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the Year.

SHARE OPTION SCHEME

During the Year, the Company adopted a share option scheme (the "Share Option Scheme") on 28 August 2018 (the "Adoption Date"). The purpose of the Share Option Scheme is to provide incentives or rewards to eligible persons who contribute to the success of the Group's operations. Eligible persons of the 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.

DIRECTORS' REPORT

The total number of shares which may be issued upon the exercise of all options to be granted under the 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 undertaken 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 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 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 participant 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 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 Share Option Scheme will be valid and effective for a period of ten years commencing on the date of approval of the Share Option Scheme (i.e. 28 August 2018), after which period no further options may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects and options granted during the life of the 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.

The directors of the Company confirm that the Share Option Scheme is in compliance with Chapter 17 of the Listing Rules. During the Year and up to the date of this report, no share option has been granted by the Company under the Share Option Scheme. No share option was outstanding as at 31 March 2020.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

For the Year:

- (i) The Group's five largest customers accounted for less than 30% of the Group's total revenue; and
- (ii) The Group's largest supplier and five largest suppliers accounted for approximately 37% and 64% 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 41 to 67 in this annual report.

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.

EVENTS AFTER THE REPORTING DATE

On 25 March 2020, the Company proposed a rights issue on the basis of three rights shares for every two existing shares in issue at a subscription price of HK\$0.1 per rights share to raise approximately HK\$133,282,000 before expenses by way of issuing up to 1,332,817,890 rights shares, in which 303,267,000 rights shares and 18,300,000 rights shares are underwritten by the executive directors of the Company, Mr. Shi Hua and Mr. Shi Jun respectively (the "Rights Issue"). Details of the Rights Issue and the whitewash waiver were set out in the circular of the Company dated 29 April 2020.

A special general meeting of the Company was held on 28 May 2020 to pass the resolutions for approving the Rights Issue and the whitewash waiver.

Save as disclosed above, there was no event occurring after the reporting date to be disclosed by the Group up to the approval date of the financial statements.

AUDITOR

BDO Limited was appointed as auditors of the Company for the year ended 31 March 2019 upon the removal of Ernst & Young.

The consolidated financial statements of the Company for the year ended 31 March 2020 have been audited by BDO Limited, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM. A resolution will be submitted to the forthcoming annual general meeting to seek shareholders' approval on the re-appointment of BDO Limited as the Company's auditor until the conclusion of the next AGM.

By Order of the Board

Anxian Yuan China Holdings Limited

Mr. Shi Hua

Chairman

Hong Kong, 30 June 2020

FIVE YEAR SUMMARY

Year ended 31 March	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS					
Revenue	286,990	223,120	206,609	161,584	108,044
Profit before income tax	76,667	35,404	39,039	12,707	11,256
Income tax expense	(24,132)	(18,366)	(21,749)	(6,895)	(1,452)
Profit for the year	52,535	17,038	17,290	5,812	9,804
Profit/(Loss) attributable to:					
Owners of the Company	53,641	17,082	16,730	6,240	9,465
Non-controlling interests	(1,106)	(44)	560	(428)	339
	52,535	17,038	17,290	5,812	9,804
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION					
Non-current assets	758,110	813,673	893,768	789,572	864,169
Net current assets	170,980	120,688	167,928	34,827	87,954
Non-current liabilities	(248,762)	(276,269)	(372,268)	(270,124)	(361,836)
Net assets	680,328	658,092	689,428	554,275	590,287
Non-controlling interests	(34,993)	(47,126)	(50,847)	(45,411)	(48,907)
Equity attributable to owners of the Company	645,335	610,966	638,581	508,864	541,380

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report for the year ended 31 March 2020.

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 provision A.1.1 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.

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.

CORPORATE GOVERNANCE REPORT

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

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 11 to 13 of this annual report.

CORPORATE GOVERNANCE 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.

CORPORATE GOVERNANCE REPORT

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, one Remuneration Committee meeting, one Nomination Committee meeting and one general meeting 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	9/9	N/A	1/1	N/A	1/1
Mr. Shi Jun	9/9	N/A	N/A	N/A	1/1
Mr. Law Fei Shing	9/9	N/A	N/A	N/A	1/1
Non-executive Director					
Mr. Wang Hongjie	9/9	N/A	N/A	N/A	1/1
Independent non-executive Directors					
Mr. Chan Koon Yung	9/9	4/4	1/1	1/1	1/1
Mr. Lum Pak Sum	9/9	4/4	1/1	1/1	1/1
Mr. Yao Hong	9/9	4/4	1/1	1/1	1/1

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. During the Year, the Company held one session of internal and corporate governance training for all the Directors.

CORPORATE GOVERNANCE REPORT

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

Name 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	✓	✓

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.

CORPORATE GOVERNANCE REPORT

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.

CORPORATE GOVERNANCE REPORT

The Audit Committee currently comprises three members of all whom are Independent Non-executive Directors, namely:

Mr. Chan Koon Yung (*chairman of the Audit Committee*)
Mr. Lum Pak Sum
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.

CORPORATE GOVERNANCE REPORT

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 2019, 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 2019, with recommendations to the Board for approval;
- received reports on the findings of BDO Limited during the audit and reviewed the recommendations made to management by BDO Limited and the relevant management's responses;
- considered and made recommendations to the Board on the re-appointment of 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 2020. 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.

CORPORATE GOVERNANCE REPORT

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 members of all whom are Independent Non-executive Directors, namely:

Mr. Chan Koon Yung (*chairman of the Remuneration Committee*)
Mr. Lum Pak Sum
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; and
- 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).

CORPORATE GOVERNANCE REPORT

Meeting of the Remuneration Committee shall be held at least once a year. One meeting was held during the year ended 31 March 2020. 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 four members, a majority of them being Independent Non-executive Directors, namely:

Mr. Shi Hua (*Chairman and chairman of the Nomination Committee*)
Mr. Chan Koon Yung
Mr. Lum Pak Sum
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.

CORPORATE GOVERNANCE REPORT

The Company also recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage. The Company believes that greater diversity of Directors is good for corporate governance and is committed to attract and retain candidate(s) for Board with a combination of competencies from the widest possible pool of available talents; and to assess regularly the diversity profile of the Board and, where applicable, the senior management of the Company prepared for Board positions under the succession planning of the Company and the progress on achieving diversity objectives, if any. 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 Board diversity policy;
- 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 2019 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. One meeting was held during the year ended 31 March 2020. 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.

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 REPORT

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.

CORPORATE GOVERNANCE 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 2020, 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 2020, the Group appointed BT Corporate Governance Limited ("BTCG") 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 BTCG 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 BTCG as well as the comments of the Audit Committee, the Board considered the internal control and risk management systems are effective and adequate.

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.

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

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.

CORPORATE GOVERNANCE REPORT

Auditor and their Remuneration

The external auditor performs independent review or audit of the financial statements prepared by the management. The external auditor of the Company is BDO Limited. 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 68 to 72 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 2020, the remuneration paid and payable to BDO Limited in respect of the audit and non-audit services of the Group is set out below:

Type of services provided by the external auditor	HK\$'000
Audit service	840
Non-audit service	
– for proposed rights issue of shares of the Company	170
Total	1,010

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.

CORPORATE GOVERNANCE REPORT

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.

CORPORATE GOVERNANCE REPORT

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 requisitioner(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 requisitioner(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 requisitioner(s) as a result of the failure of the Board shall be reimbursed to the requisitioner(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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

METHODOLOGY

Anxian Yuan China Holdings Limited (hereinafter referred to as “Anxian Yuan”) strives to enhance the transparency of the Group in respect of its influence on the environment and society. The mission and values of the Group regard advocating green funeral services and the Group is striving to become a 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

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

ABOUT THIS REPORT

This report is an Environmental, Social and Governance Report (the “Report”) published by 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 2019 to 31 March 2020. 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 policies of the Group has a long-term influence on our future development and business and also affects our future community and environment. Other than focusing on the 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 30 June 2020.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Feedbacks and Opinions

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENT

Summary

The Group understands that there are apparently increasing concerns by the public over environmental and health issues due to economic development and social advancement nowadays. As the business of the Group is closely related to the environment, the Group attaches considerable importance to its influence on the environment and society. In addition to strict compliance with environmental laws and regulations such as 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 30,000 MJ (during the year 2018/19: 29,000 MJ) coal gas, representing an increase of approximately 5% as compared with that of last year.

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

	Year 2019/20	Year 2018/19
Number of vehicles	14	15
Type of vehicles		
Light vehicles (<=2.5 tons)	7	7
Light vehicles (2.5-5.5 tons)	6	6
Mid-sized vehicles (5.5-15 tons)	1	2
Type of fuel used		
Vehicles powered by gasoline	10	10
Vehicles powered by diesel	4	5
Total distance ran by vehicles in km	353,051 km	326,298 km
Gasoline consumed	29,520 litres	26,146 litres
Diesel consumed	12,437 litres	9,482 litres

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 2019/20 are set forth below:

Emission	Source	Unit	Type	Figures
KPI1.1				<i>kg</i>
Emission from gas fuel consumption	Coal gas	29,894 MJ	Nitrogen oxide:	120,174.52
			Sulphur dioxide:	597.88
Emission from vehicles	Distance ran by vehicles in km	353,051 km	Nitrogen oxide:	<i>g</i> 489,137.77
			Particles:	36,373.82
	Gasoline	29,520 litres	Sulphur dioxide:	634.18
	Diesel	12,437 litres		

During the year 2018/19, the relevant emission data of the Group are as follows:

Emission	Source	Unit	Type	Figures
KPI1.1				<i>kg</i>
Emission from gas fuel consumption	Coal gas	28,575 MJ	Nitrogen oxide:	114,872.71
			Sulphur dioxide:	571.51
Emission from vehicles	Distance ran by vehicles in km	326,298 km	Nitrogen oxide:	<i>g</i> 470,368.71
			Particles:	35,302.79
	Gasoline	26,146 litres	Sulphur dioxide:	537.01
	Diesel	9,482 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 3,910 cremation projects (during the year 2018/19: 3,963). The emission data in relation to the cremation process are set forth below:

Cremation projects

	Year 2019/20	Year 2018/19
Number of cremation projects	3,910	3,963
	(kg/m ³)	(kg/m ³)
Dust	0.20	0.21
Carbon dioxide	0.17	0.17
Nitrogen oxide	0.52	0.53
Carbon monoxide	0.63	0.64

In order to reduce the emission of greenhouse gas, we plant trees proactively. During the reporting year, we planted 148,216 (during the year 2018/19: 151,580) 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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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	1,020.00 litres	
	Diesel	44,882.00 litres	
	Gasoline	390.00 litres	121,082.65
Mobile source of greenhouse gas emission	Vehicles		
	Gasoline	29,520.32 litres	
	Diesel	12,437.00 litres	114,185.17
Counteraction of carbon dioxide			
Counteraction of greenhouse gas by planting new trees	Planting new trees	148,216 trees	(3,408,968.00)
Scope 2: Carbon dioxide emission			
Indirect greenhouse gas emission from energy consumption	Electricity	1,478,595.76 unit	1,259,098.52
		Total carbon dioxide emission:	<u>(1,914,601.66)</u>

During the year 2018/19, 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:	<u>(1,935,685.79)</u>

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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	Total energy consumption		Energy consumption per square meter ¹	
		Year 2019/20	Year 2018/19	Year 2019/20	Year 2018/19
KPI2.1					
	Electricity	1,478,595.76 unit	1,538,279.00 unit	0.8867 unit	0.9259 unit
	Coal gas	1,020.00 litres	975.00 litres	0.0006 litres	0.0006 litres
	Gasoline	29,910.32 litres	26,511.29 litres	0.0179 litres	0.0160 litres
	Diesel	57,319.00 litres	65,340.88 litres	0.0344 litres	0.0393 litres

Water consumption	Total water consumption		Water consumption per square meter ¹	
	Year 2019/20	Year 2018/19	Year 2019/20	Year 2018/19
KPI2.2				
	23,566.87 square meter	22,301.40 square meter	0.0141 square meter	0.0134 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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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%, 55% and 89% (year 2018/19: 65%, 34% and 89%), 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

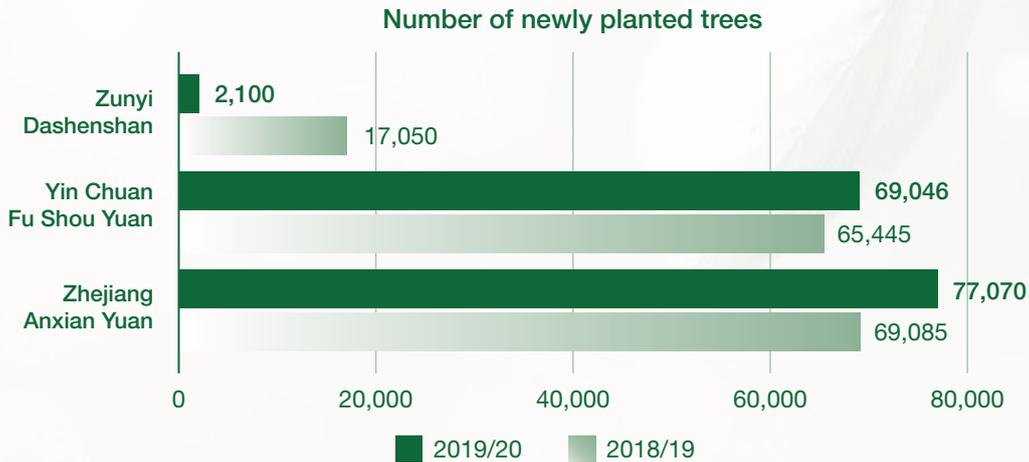
Furthermore, taking into account the air pollution caused by the incense and offerings burnt by grave sweepers during the graveside rituals, the Group provides grave sweepers with flowers to advocate civilised graveside rituals.

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.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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.

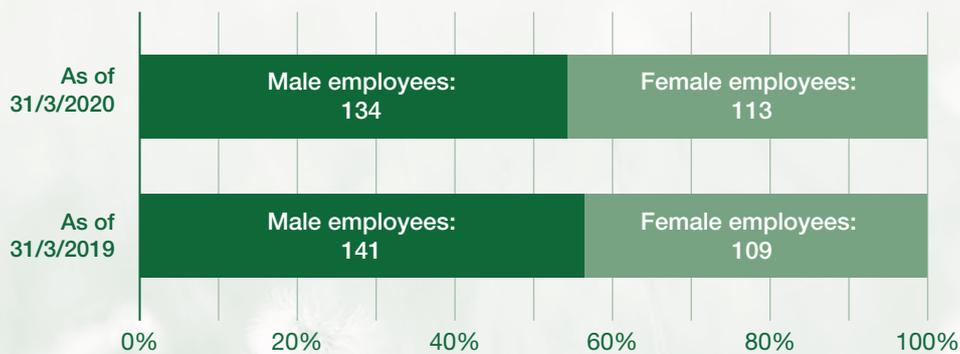
VALUING TALENTS

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.

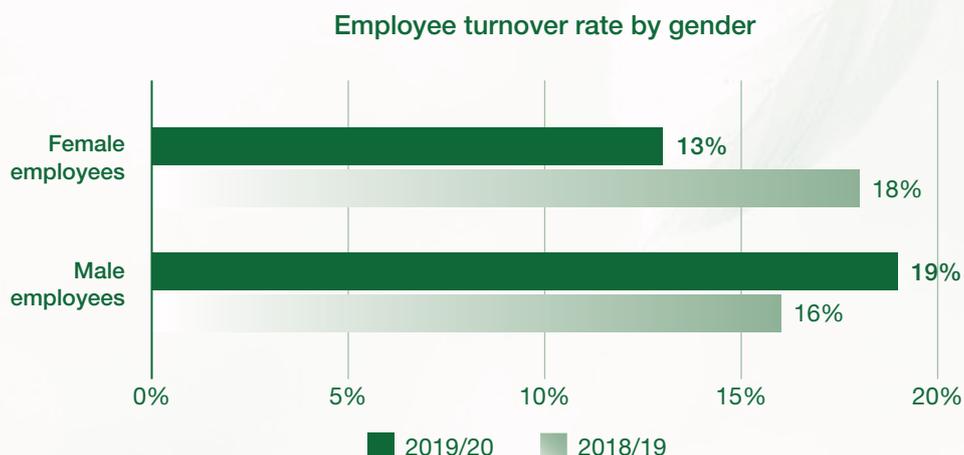
As of 31 March 2020, our employment structure is as follow:

Employee structure by gender



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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



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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAFF TRAINING

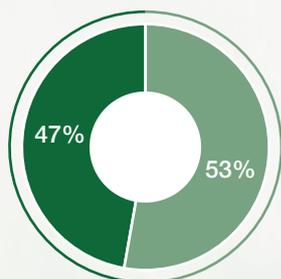
As talent cultivation is critical to the future development of the Group, the Group spares no effort on talent development and training. In order to strengthen the knowledge and skills of the employees necessary for the performance of duties, the Group conducts a survey on its employees every December 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 2,110 hours (year 2018/19: 1,485.5 hours). The average complete hours for each male and female employee are set out below:

	Year 2019/20	Year 2018/19
Average training hours of male employees	8.95 hours	5.76 hours
Average training hours of female employees	7.92 hours	6.81 hours

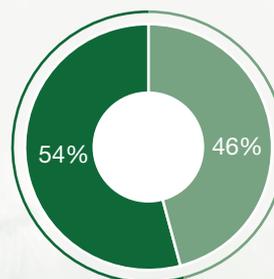
The proportion of employees receiving trainings by gender is as follows:

Employees receiving trainings by gender (2019/20)



● Male employees ● Female employees

Employees receiving trainings by gender (2018/19)



● Male employees ● Female employees

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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.

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. During the year 2019/20, we carried out three fire drills together with a fire awareness company and an external cleaning company, where our employees acquired necessary knowledge about fire safety and practiced on the fire extinguishers. 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 "Etiquette Training" 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 titles of “Creditworthy Enterprise in Celebrating the 70th anniversary of the founding of the PRC of the Chambers of Commerce in Hangzhou” and “Green · Caring Alliance Unit”, and also awarded an honorary certificate by the Ningxia Hui Autonomous Region Funeral Association of the China Funeral Association, 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

HEALTH AND SAFETY

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

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

During the reporting year, there were no work-related fatalities in the Group. However, during the reporting year, there was one minor work-related injury, which the employee concerned has been provided with medical coverage through social insurance. The number of working days lost due to work-related injury was 104 days. In response to the incident, we have held a special meeting and strengthened education to enhance employees' awareness of protection and safety.

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 Group understands the philosophy of “what is taken from the community is to be used for the good of the community”, and is actively giving back to society and sharing its operating results with the community. During the reporting year, the Group supported various charitable activities through donations, and donated a total of approximately RMB782,000 to organisations including charity federations in various counties and cities and the Red Cross.

In addition, the strategy department of the Group is responsible for preparing community charity 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In April 2019, we held a collective ecological burial ceremony at Yin Chuan Fu Shou Yuan Ecological Memorial Square (銀川福壽園生態紀念廣場). 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 12th “Anxian Cup” Fishing Tournament for retired cadres in Hangzhou City in May 2019. 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 May 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

“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 foundation stone laying ceremony of the Missile, Nuclear Bomb and Satellite Qianyuan (Danyuan) (兩彈一星錢苑 (澹苑)) was held on 9 November 2019, which was organized by Zhejiang Anxian Yuan and Hangzhou Qian Liu Research Society (杭州錢鏐研究會) and attended by Zhejiang Qian Xuesen Scientific Thinking Research Association (浙江省錢學森科學思想研究會), various comrades associations, representatives of “Missile, Nuclear Bomb and Satellite” and news media reporters, to memorialise the spirit of the “Missile, Nuclear Bomb and Satellite” heroes and jointly build a comprehensive landscape park integrating commemoration, education, tourism and burial.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 in the Group.
B2.2	Lost days due to work injury	Health and Safety	
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Health and Safety	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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	

INDEPENDENT AUDITOR'S REPORT



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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 (collectively referred to as the "Group") set out on pages 73 to 166, which comprise the consolidated statement of financial position as at 31 March 2020, 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 2020, 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.

INDEPENDENT AUDITOR'S REPORT

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 assessment of goodwill as set out in note 3(i) to the consolidated financial statements.

As at 31 March 2020, goodwill of the Group amounted to HK\$12,232,000. In accordance with HKFRSs, the Group performed impairment assessment of goodwill on an annual basis. The impairment assessment was based on the recoverable amount of the cash-generating unit ("CGU") to which goodwill was allocated. Management performed the impairment assessment using the value in use calculation based on the discounted cash flows of the relevant CGU. This matter was significant to our audit because the management's assessment process on the discounted cash flows were highly judgmental and were 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 of the key assumptions used by management for the value in use calculation of the relevant CGU are included in note 16 to the consolidated financial statements.

Our responses:

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 used by the management 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 the management and the independent valuation firm 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.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Revenue recognition for sales of tombs and niches

Refer to note 5 and the Group's accounting policy in relation to revenue recognition as set out in note 2.4(q) to the consolidated financial statements.

For the year ended 31 March 2020, revenue from sales of tombs and niches amounted to HK\$266,643,000, which is 93% of the total revenue of the Group.

We identified the recognition of revenue from sales of tombs and niches as a key audit matter due to the significance of the amount and volume of sales transactions recognised during the year.

The Group's disclosures of revenue from sales of tombs and niches are included in note 5 to the consolidated financial statements.

Our responses:

Our procedures in relation to revenue recognition for sales of tombs and niches included:

- Obtaining an understanding of the key internal controls relevant to the sales of tombs and niches.
- Selecting sales transactions of tombs and niches on a sample basis and:
 - Examining the signed sales contracts to understand the relevant terms in determining when the right to use tombs and niches has passed to customers.
 - Obtaining evidence regarding the passing of the right to use tombs and niches to customers.
 - Reconciling the amounts of recorded transactions and related receipts to the signed sales contracts of tombs and niches.

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.

INDEPENDENT AUDITOR'S REPORT

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.

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.

INDEPENDENT AUDITOR'S REPORT

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

- 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.

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, 30 June 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
REVENUE	5	286,990	223,120
Cost of sales		(105,824)	(79,486)
Gross profit		181,166	143,634
Other income and gains	5	1,803	4,995
Selling and distribution expenses		(27,189)	(21,076)
Administrative expenses		(74,995)	(86,901)
Finance costs	7	(4,118)	(5,387)
Share of profit of an associate		-	139
PROFIT BEFORE INCOME TAX	6	76,667	35,404
Income tax expense	10	(24,132)	(18,366)
PROFIT FOR THE YEAR		52,535	17,038
Profit/(Loss) for the year attributable to:			
Owners of the Company		53,641	17,082
Non-controlling interests		(1,106)	(44)
		52,535	17,038
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY FOR THE YEAR			
Basic and diluted (HK cents)	12	6.85	2.31

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020

	2020 HK\$'000	2019 HK\$'000
PROFIT FOR THE YEAR	52,535	17,038
OTHER COMPREHENSIVE INCOME		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	(45,040)	(47,996)
Item that may not be reclassified subsequently to profit or loss:		
Change in fair value of equity investments at fair value through other comprehensive income	334	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	(44,706)	(47,996)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	7,829	(30,958)
Total comprehensive income for the year attributable to:		
Owners of the Company	11,731	(27,615)
Non-controlling interests	(3,902)	(3,343)
	7,829	(30,958)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	104,377	114,454
Right-of-use assets	29	2,537	–
Intangible assets	15	417,703	451,028
Goodwill	16	12,232	13,029
Equity investments	18	2,666	2,332
Cemetery assets	19	218,595	232,830
Total non-current assets		758,110	813,673
CURRENT ASSETS			
Inventories	21	228,859	245,670
Trade receivables	22	1,014	912
Prepayments, deposits and other receivables	23	3,389	3,456
Cash and cash equivalents	24	77,657	34,999
Total current assets		310,919	285,037
CURRENT LIABILITIES			
Trade payables	25	34,593	33,953
Other payables and accruals	26	5,622	7,515
Contract liabilities	27	23,605	23,684
Interest-bearing bank and other borrowings	28	49,250	74,941
Lease liabilities	29	1,479	–
Amount due to non-controlling shareholder	30	–	2,827
Tax payables		25,390	21,429
Total current liabilities		139,939	164,349
NET CURRENT ASSETS		170,980	120,688
TOTAL ASSETS LESS CURRENT LIABILITIES		929,090	934,361
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	28	114,217	137,341
Contract liabilities	27	21,330	17,250
Lease liabilities	29	744	–
Deferred tax liabilities	20	112,471	121,678
Total non-current liabilities		248,762	276,269
NET ASSETS		680,328	658,092

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
EQUITY			
Share capital	<i>31</i>	88,855	74,055
Reserves	<i>32</i>	556,480	536,911
Equity attributable to owners of the Company		645,335	610,966
Non-controlling interests		34,993	47,126
TOTAL EQUITY		680,328	658,092

The consolidated financial statements on pages 73 to 166 were approved and authorised for issue by the board of directors on 30 June 2020 and are signed on its behalf by:

Shi Hua
Director

Law Fei Shing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

Attributable to owners of the Company

	Share capital HK\$'000 <i>(note 31)</i>	Share premium* HK\$'000	Equity investments at FVTOCI reserve* HK\$'000	Contributed surplus reserve* HK\$'000	Statutory reserve fund* HK\$'000 <i>(note 32)</i>	Exchange fluctuation reserve* HK\$'000	Other reserve* HK\$'000	Retained profits* HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2019	74,055	145,849	-	189,490	16,020	(12,740)	(11,458)	209,750	610,966	47,126	658,092
Profit/(Loss) for the year	-	-	-	-	-	-	-	53,641	53,641	(1,106)	52,535
Other comprehensive income for the year:											
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	(42,244)	-	-	(42,244)	(2,796)	(45,040)
Change in fair value of equity investments at fair value through other comprehensive income ("FVTOCI") <i>(note 18)</i>	-	-	476	-	-	(142)	-	-	334	-	334
Total comprehensive income for the year	-	-	476	-	-	(42,386)	-	53,641	11,731	(3,902)	7,829
Dividend paid to non-controlling shareholder	-	-	-	-	-	-	-	-	-	(808)	(808)
Acquisition of non-controlling interests <i>(note 34)</i>	-	-	-	-	-	-	1,173	-	1,173	(7,825)	(6,652)
Issue of shares upon share placing, net of share placing expenses <i>(note 31(b))</i>	14,800	7,067	-	-	-	-	-	-	21,867	-	21,867
Capital contribution in a subsidiary	-	-	-	-	-	-	(402)	-	(402)	402	-
Transferred from retained profits	-	-	-	-	4,132	-	-	(4,132)	-	-	-
At 31 March 2020	88,855	152,916	476	189,490	20,152	(55,126)	(10,687)	259,259	645,335	34,993	680,328

Attributable to owners of the Company

	Share capital HK\$'000 <i>(note 31)</i>	Share premium* HK\$'000	Share-based compensation reserve* HK\$'000 <i>(note 35)</i>	Contributed surplus reserve* HK\$'000	Statutory reserve fund* HK\$'000 <i>(note 32)</i>	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 <i>(note 31(a))</i>	(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

* These reserve accounts comprise the consolidated reserves as at 31 March 2020 and 31 March 2019 in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		76,667	35,404
Adjustments for:			
Bank interest income	5	(527)	(238)
Write-off of other receivables	6	–	4,985
Write-off of property, plant and equipment	6	306	–
Write back of other payables	5	–	(753)
Write-down of inventories to net realisable value	6	1,969	–
Share of profit of an associate		–	(139)
Gain on disposal of investment properties	5	–	(2,446)
Gain on disposal of property, plant and equipment, net	5	(155)	(95)
Gain on lease modification	5	(25)	–
Loss on disposal of a subsidiary	6	–	824
Loss on disposal of an associate	6	–	2,149
Finance costs	7	4,118	5,387
Depreciation on property, plant and equipment	6	9,409	10,677
Depreciation on investment properties	6	–	227
Depreciation on right-of-use assets	6	2,185	–
Amortisation of cemetery assets	6	7,731	7,556
Amortisation of intangible assets	6	5,871	2,821
Operating profit before working capital change		107,549	66,359
Increase in cemetery assets and inventories		(2,358)	(11,683)
(Increase)/Decrease in trade receivables		(165)	583
(Increase)/Decrease in prepayments, deposits and other receivables		(1,071)	4,914
Increase in trade payables		2,878	6,535
Decrease in other payables and accruals		(1,449)	(6,602)
Increase/(Decrease) in contract liabilities		6,825	(864)
Cash generated from operations		112,209	59,242
Interest paid		(10,006)	(18,348)
Income tax paid	36	(20,944)	(12,442)
Net cash flows generated from operating activities		81,259	28,452
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		527	238
Purchases of property, plant and equipment		(6,722)	(8,304)
Proceeds from disposal of property, plant and equipment		568	120
Proceeds from disposal of investment properties		–	2,446
Consideration paid for acquisition of non-controlling interests	34	(6,652)	–
Net cash inflow from disposal of a subsidiary and an associate	33	–	1,739
Net cash flows used in investing activities		(12,279)	(3,761)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares upon share placing	<i>31(b)</i>	22,200	–
Share issue expenses	<i>31(b)</i>	(333)	–
New bank and other borrowings	<i>36</i>	188,640	17,487
Repayments of bank and other borrowings	<i>36</i>	(226,301)	(54,118)
Repayments of principal portion of lease liabilities	<i>36</i>	(1,757)	–
(Decrease)/Increase in amount due to non-controlling shareholder	<i>36</i>	(2,780)	1,964
Dividend paid to non-controlling shareholder	<i>36</i>	(808)	(378)
Net cash flows used in financing activities		(21,139)	(35,045)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		47,841	(10,354)
Effect of foreign exchange rate changes, net		34,999	47,836
		(5,183)	(2,483)
CASH AND CASH EQUIVALENTS AT END OF YEAR			
		77,657	34,999
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	<i>24</i>	62,030	34,999
Short-term deposits	<i>24</i>	15,627	–
		77,657	34,999

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

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 or establishment/ registration and business	Issued and fully paid shares/ paid up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Kylinfield Limited	British Virgin Islands/ Hong Kong	US\$100	100%	–	Investment holding
Sino Grandeur Limited	British Virgin Islands/ Hong Kong	US\$1	100%	–	Investment holding
Promising Sense Limited [#]	British Virgin Islands/ Mainland China	US\$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

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Name	Place of incorporation or establishment/ registration and business	Issued and fully paid shares/ paid up 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, wholly foreign-owned enterprise ("WFOE")	Renminbi ("RMB") 85,000,000	–	100%	Cemetery business
Jia Yuan Trading Limited	British Virgin Islands/ Hong Kong	US\$1	–	100%	Investment holding
Hirise Corporation Limited	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, WFOE	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)")	the PRC/Mainland China, WFOE	US\$5,633,571	–	100%	Cemetery business
中福園林設計(寧波)有限公司** (China Boon Landscape Design (Ningbo) Co., Ltd.) ("Zhong Fu Ningbo")	the PRC/Mainland China, WFOE	RMB5,000,000	–	100%	Cemetery business
杭州富亦賢科技有限公司*** (Hangzhou Fuyixian Technology Company Limited) ("Hangzhou Fuyixian")	the PRC/Mainland China, WFOE	RMB1,000,000	–	100%	Cemetery business

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Name	Place of incorporation or establishment/ registration and business	Issued and fully paid shares/ paid up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
銀川福壽園人文紀念園有限公司* (Yin Chuan Fu Shou Yuan Humanistic Cultural Memorial Park Co., Ltd.) ("Yin Chuan Fu Shou Yuan")	the PRC/Mainland China, Sino-foreign equity joint venture	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, Sino-foreign equity joint venture	RMB50,000,000	–	80%	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, Sino-foreign equity joint venture	RMB10,000	–	60%	Cemetery business

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

Promising Sense Limited was struck off on 1 May 2019.

Zhong Fu Ningbo was set up on 10 April 2019.

Hangzhou Fuyixian was set up on 9 May 2019.

Hangzhou Anxian Yuan Stone was deregistered on 21 May 2019.

^ For identification only

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

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

On 15 August 2019, the Group acquired a further 1.62% equity interests in a subsidiary established in the PRC, Zhejiang Anxian Yuan, increasing the equity attributable to the Group from 98.38% to 100% at a cash consideration of RMB6,000,000 (equivalent to approximately HK\$6,652,000) (note 34).

On 14 March 2020, Anxian Yuan (Zhejiang) and the investment partners (“Partners”) entered into a non-legally binding memorandum of understanding (“MOU”) in relation to possible investment by Anxian Yuan (Zhejiang) in 阜陽市天壽園陵園管理有限公司 (Fuyang Tianshouyuan Cemetery Management Co., Ltd.[^]) (the “Target Company”) by way of capital injection and its development of a commercial cemetery, subject to the entering into of the formal agreement. Pursuant to the MOU, Anxian Yuan (Zhejiang) and the Partners have agreed to invest in the first phase of the commercial cemetery with an aggregate amount of RMB90 million (approximately of HK\$98.5 million). Upon completion of the capital injection, the registered capital of the Target Company shall be increased from RMB10 million (approximately of HK\$10.9 million) to RMB30 million (approximately of HK\$32.9 million) while the respective shareholding of the Company and the Partners will be 80% and 20%. As at the date of this annual report, the Company is still conducting due diligence on the Target Company. Details of which were set out in the Company’s announcement dated 25 March 2020 and the Company’s circular dated 29 April 2020.

[^] For identification only.

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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

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 2019.

HKFRS 16	<i>Leases</i>
HK(IFRIC) – Int 23	<i>Uncertainty over Income Tax Treatments</i>
Annual Improvements to HKFRSs 2015-2017 Cycle	<i>Amendments to HKAS 12, Income Taxes</i>
Annual Improvements to HKFRSs 2015-2017 Cycle	<i>Amendments to HKAS 23, Borrowing Costs</i>

The impact of the adoption of HKFRS 16 Leases has been summarised in below. The other new or amended HKFRSs stated above that are relevant to the Group and effective from 1 April 2019 did not have any significant impact on the Group's accounting policies.

HKFRS 16 – Leases

(i) Impacts of the adoption of HKFRS 16 – Leases

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases (“HKAS 17”), HK(IFRIC) – Int 4 Determining whether an Arrangement contains a Lease (“HK(IFRIC) – Int 4”), HK(SIC) – Int 15 Operating Leases – Incentives and HK(SIC) – Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to sections (ii) to (iv) of this note.

The Group has applied HKFRS 16 using the simplified transition approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained profits at the date of initial application. The comparative information presented for the year ended 31 March 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following table summarised the impact of transition to HKFRS 16 on consolidated statement of financial position as at 31 March 2019 to that as at 1 April 2019 (increase/(decrease)):

	HK\$'000
Summary of consolidated statement of financial position as at 1 April 2019	
Right-of-use assets	3,901
Prepayment	(757)
Lease liabilities (current)	1,912
Lease liabilities (non-current)	1,232

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

2.2 ADOPTION OF NEW OR AMENDED HKFRSs (CONTINUED)

HKFRS 16 – Leases (Continued)

(i) Impacts of the adoption of HKFRS 16 – Leases (Continued)

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 as at 31 March 2019 could be reconciled to the lease liabilities at the date of initial application recognition in the consolidated statement of financial position as at 1 April 2019:

	HK\$'000
Reconciliation of operating lease commitments to lease liabilities	
Operating lease commitments as at 31 March 2019	4,321
Less: Short-term leases for which lease terms end within 31 March 2020	(946)
Less: Future interest expense	(231)
Total lease liabilities as at 1 April 2019	<u>3,144</u>

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position as at 1 April 2019 was approximately 4.60% per annum.

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

2.2 ADOPTION OF NEW OR AMENDED HKFRSs (CONTINUED)

HKFRS 16 – Leases (Continued)

(iii) *Accounting as a lessee*

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the consolidated statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of whether they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on a straight line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets for the lease properties under tenancy agreements at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Right-of-use asset in which the Group is reasonably certain to obtain ownership of the underlying lease assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use asset is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Effective from 1 April 2019, leasehold lands in the cemetery assets which were classified as right-of-use assets are measured under HKFRS16 at the lower of cost less accumulated amortisation and recoverable amount prior to the commencement of the development of the cemetery and transfer to inventories upon commencement of development.

The Group presents right-of-use assets that do not meet the definition of cemetery assets or inventories as a separate line item in the consolidated statement of financial position.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

2.2 ADOPTION OF NEW OR AMENDED HKFRSs (CONTINUED)

HKFRS 16 – Leases (Continued)

(iii) *Accounting as a lessee (Continued)*

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

The Group presents lease liabilities as a separate line item in the consolidated statement of financial position.

(iv) *Accounting as a lessor*

As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have significant impact on these consolidated financial statements.

(v) *Transition*

As mentioned above, the Group has applied HKFRS 16 using the simplified transition approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained profits at the date of initial application (1 April 2019). The comparative information presented for the year ended 31 March 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

2.2 ADOPTION OF NEW OR AMENDED HKFRSs (CONTINUED)

HKFRS 16 – Leases (Continued)

(v) *Transition (Continued)*

The Group has recognised the lease liabilities at 1 April 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 April 2019.

The Group has elected to recognise all the right-of-use assets at 1 April 2019 for leases previously classified operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but as discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 April 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 April 2019) and accounted for those leases as short-term leases and (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 April 2019.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4; and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC) – Int 4.

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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

2.2 ADOPTION OF NEW OR AMENDED HKFRSs (CONTINUED)

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.

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.

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

The following 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 when they become effective for the accounting period beginning on or after 1 January 2020.

Amendments to HKFRS 3

Definition of a Business

Amendments to HKAS 1 and HKAS 8

Definition of Material

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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

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

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 amendments to HKFRSs to the Group. The directors anticipate that the application of these amendments to HKFRSs will have no material impact on the Group's financial performance and positions and/or the disclosures to the Group's financial statements in subsequent years.

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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Business combinations and basis of consolidation (Continued)

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.

(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 Company's 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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate 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 assessed 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 assessment of goodwill as at 31 March. For the purpose of impairment assessment, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating unit ("CGU"), 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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Goodwill (Continued)

Impairment is determined by assessing the recoverable amount of the CGU (group of CGUs) to which the goodwill is allocated. 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.

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% – 25%
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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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

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

(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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 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 a straight-line method over the shorter of the remaining lease term of land and the useful life.

The principal annual rates used for this purpose are follows:

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

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

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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

(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 entirety when determining whether their cash flows are solely payment of principal and interest.

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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial instruments (Continued)

(i) Financial assets (Continued)

Subsequent measurement (Continued)

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 expected credit losses ("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 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.

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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial instruments (Continued)

(i) Financial assets (Continued)

Impairment of financial assets (Continued)

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 accruals, amount due to non-controlling shareholder, interest-bearing bank and other borrowings and lease liabilities.

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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial instruments (Continued)

(ii) Financial liabilities (Continued)

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.

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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) **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.

(m) **Leasing (accounting policies applied from 1 April 2019)**

All leases (irrespective of whether they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on a straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets for the lease properties under tenancy agreements at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Right-of-use asset in which the Group is reasonably certain to obtain ownership of the underlying lease assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use asset is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Effective from 1 April 2019, leasehold lands in the cemetery assets which were classified as right-of-use assets are measured under HKFRS16 at the lower of cost less accumulated amortisation and recoverable amount prior to the commencement of development of the cemetery and transfer to inventories upon commencement of development.

The Group presents right-of-use assets that do not meet the definition of cemetery assets or inventories as a separate line item in the consolidated statement of financial position.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Leasing (accounting policies applied from 1 April 2019) (Continued)

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

The Group presents lease liabilities as a separate line item in the consolidated statement of financial position.

Short-term leases

The Group has applied the short-term leases recognition exemption to leases. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Accounting as a lessor

The Group has leased out its properties to a number of tenants. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease terms.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Leasing (accounting policies applied until 31 March 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

(o) Provisions

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

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

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) 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.

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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Income tax (Continued)

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

Deferred tax assets and deferred tax liabilities are offset if 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.

(q) Revenue recognition

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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Revenue recognition (Continued)

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.

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 obligations (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 a 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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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 liabilities 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 liabilities when they are proposed and declared.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Fair value measurement

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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;
- (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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

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 assessment of goodwill

The Group assesses 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 2020 was HK\$12,232,000 (2019: HK\$13,029,000). Further details are given 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 notes 2.4(e), (i) and (g) to the financial statements respectively.

(iii) Impairment assessment 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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

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 43(iii) 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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

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*

	2020 HK\$'000	2019 HK\$'000
The PRC	286,990	223,120

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

(b) *Non-current assets*

	2020 HK\$'000	2019 HK\$'000
Hong Kong	2,839	1,566
The PRC	752,605	809,775
	755,444	811,341

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

For the year ended 31 March 2020, revenue generated from one (2019: Nil) customer amounted to HK\$48,302,000 (2019: Nil), which represent 10% or more of the Group's revenue.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

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).

	2020 HK\$'000	2019 HK\$'000
Revenue by products and services		
Sales of tombs and niches	266,643	199,585
Management fee income	3,401	3,066
Burial services	16,946	20,163
Sales of funeral supplies	–	306
	286,990	223,120
Timing of revenue recognition		
At point in time	266,643	199,891
Over time	20,347	23,229
	286,990	223,120
Other income and gains		
Gain on disposal of investment properties (<i>note 14</i>)	–	2,446
Gain on disposal of property, plant and equipment, net	155	95
Gain on lease modification (<i>note 29</i>)	25	–
Bank interest income	527	238
Write back of other payables	–	753
Recovery of bad debt of other receivable	–	116
Exchange gains, net	–	384
Others	1,096	963
	1,803	4,995

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

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 sales 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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

6. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	2020 HK\$'000	2019 HK\$'000
Cost of inventories sold recognised as expense, including	85,655	61,988
– Write-down of inventories to net realisable value	1,969	–
Cost of services provided	6,567	7,121
Employee benefit expense (excluding directors' and chief executives' remuneration (note 8)):		
– Wages and salaries	40,212	41,369
Amortisation of intangible assets (note 15) *	5,871	2,821
Amortisation of cemetery assets (note 19) *	7,731	7,556
Auditor's remuneration	840	800
Depreciation:		
– Property, plant and equipment (note 13)	9,409	10,677
– Investment properties (note 14)	–	227
– Right-of-use assets (note 29)**	2,185	–
Write-off of other receivables	–	4,985
Write-off of property, plant and equipment	306	–
Loss on disposal of a subsidiary (note 33)	–	824
Loss on disposal of an associate (note 33)	–	2,149
Exchange losses, net	29	–
Minimum lease payments for leases previously classified as operating leases under HKAS 17	–	3,725

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

** *The Group has initially applied HKFRS 16 - Leases using the modified retrospective method and adjusted the opening balances at 1 April 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 April 2019, the Group as lessee is required to depreciate these right-of-use assets. Under this method, the comparative information has not been restated as described in note 2.2.*

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 HK\$'000	2019 HK\$'000
Interest on lease liabilities	161	–
Interest on interest-bearing bank and other borrowings	10,006	18,348
Less: Interest capitalised	(6,049)	(12,961)
	4,118	5,387

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.55% (2019: 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:

	2020 HK\$'000	2019 HK\$'000
Fees	390	357
Other emoluments:		
Salaries, allowances and benefits in kind	4,070	4,107
Performance related bonuses	310	318
Pension scheme contributions	36	36
	4,416	4,461
	4,806	4,818

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

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

(a) Independent non-executive directors

	<i>Notes</i>	Salaries, allowances and benefits in kind HK\$'000	Performance related bonuses HK\$'000	Total remuneration HK\$'000
2020				
Mr. Chan Koon Yung		120	10	130
Mr. Lum Pak Sum		120	10	130
Mr. Yao Hong	<i>(i)</i>	120	10	130
		360	30	390
2019				
Mr. Chan Koon Yung		120	10	130
Mr. Lai Chun Yu	<i>(ii)</i>	50	–	50
Mr. Lum Pak Sum		120	10	130
Mr. Yao Hong	<i>(i)</i>	42	5	47
		332	25	357

There were no other emoluments payable to the independent non-executive directors during the year (2019: Nil).

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

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

(b) Executive directors and non-executive directors

<i>Notes</i>	Salaries, allowances and benefits in kind HK\$'000	Performance related bonuses HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
2020				
Executive directors:				
Mr. Shi Hua	1,735	130	–	1,865
Mr. Shi Jun	1,015	70	18	1,103
Mr. Law Fei Shing	1,200	100	18	1,318
	3,950	300	36	4,286
Non-executive director:				
Mr. Wang Hongjie	120	10	–	130
	120	10	–	130
	4,070	310	36	4,416
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

Notes:

- (i) Appointed on 26 November 2018.
- (ii) Retired on 28 August 2018.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2019: Nil).

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2019: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2019: two) highest paid employees who are neither an executive director nor chief executive are as follows:

	2020 HK\$'000	2019 HK\$'000
Salaries, allowances and benefits in kind	1,290	1,268
Performance related bonuses	86	86
Pension scheme contributions	28	28
	1,404	1,382

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	
	2020	2019
HK\$1 to HK\$1,000,000	2	2

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 (2019: 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 (2019: Nil).

Provision for the PRC current income tax is based on the statutory rate of 25% (2019: 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:

	2020 HK\$'000	2019 HK\$'000
Income tax		
– Tax for the year in the PRC	26,421	19,733
– Under-provision in prior years	245	116
Deferred tax (<i>note 20</i>)	(2,534)	(1,483)
Total income tax expense for the year	24,132	18,366

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

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:

	2020 HK\$'000	2019 HK\$'000
Profit before income tax	76,667	35,404
Tax at the statutory tax rate of 25% (2019: 25%)	19,167	8,851
Effect of withholding tax on distributable profit of the Group's PRC subsidiaries	2,340	(2,227)
Tax effect of different taxation rates in other tax jurisdictions	277	(354)
Tax effect of non-taxable income	(252)	(13)
Tax effect of non-deductible expenses	230	6,116
Tax effect of tax losses not recognised	3,425	5,877
Tax effect of utilisation of tax losses not previously recognised	(1,300)	–
Under-provision in respect of prior years	245	116
Income tax expense	24,132	18,366

11. DIVIDEND

There was no proposed final dividend for the year (2019: Nil) which would be subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. EARNINGS PER SHARE FOR PROFIT 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 783,526,000 (2019: 740,545,000) in issue during the year.

There was no potential dilutive ordinary shares outstanding during the years ended 31 March 2020 and 2019 and hence the diluted earnings per share is the same as basic earnings per share.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

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

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

	2020 HK\$'000	2019 HK\$'000
Earnings		
Profit attributable to owners of the Company		
used in the basic and diluted earnings per share calculation	53,641	17,082
	Number of shares 2020 ('000)	Number of shares 2019 ('000)
Shares		
Weighted average number of ordinary shares in issue during the year		
used in the basic and diluted earnings per share calculation	783,526	740,545 [#]

[#] 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 2018, the beginning of the earliest period reported.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

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 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 and 1 April 2019	127,995	10,922	11,356	934	151,207
Additions	1,925	411	2,052	2,334	6,722
Disposals	–	–	(2,176)	–	(2,176)
Written-off	(625)	(674)	(848)	–	(2,147)
Exchange realignment	(7,816)	(649)	(588)	(38)	(9,091)
At 31 March 2020	121,479	10,010	9,796	3,230	144,515
Accumulated depreciation:					
At 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 and 1 April 2019	(24,106)	(5,330)	(6,673)	(644)	(36,753)
Charged for the year (note 6)	(6,537)	(1,080)	(1,537)	(255)	(9,409)
Disposals	–	–	1,774	–	1,774
Written-off	380	649	812	–	1,841
Exchange realignment	1,627	341	403	38	2,409
At 31 March 2020	(28,636)	(5,420)	(5,221)	(861)	(40,138)
Net carrying amount:					
At 31 March 2019	103,889	5,592	4,683	290	114,454
At 31 March 2020	92,843	4,590	4,575	2,369	104,377

As at 31 March 2020, certain property, plant and equipment with an aggregate net carrying amount of HK\$16,712,000 (2019: HK\$18,402,000) were pledged for certain interest-bearing bank and other borrowings (notes 28(c) and (d)).

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

14. INVESTMENT PROPERTIES

	HK\$'000
Cost:	
At 1 April 2018	2,620
Disposal	(2,448)
Exchange realignment	(172)
	<hr/>
At 31 March 2019	–
	<hr/>
Accumulated depreciation:	
At 1 April 2018	(2,377)
Charged for the year (<i>note 6</i>)	(227)
Disposal	2,448
Exchange realignment	156
	<hr/>
At 31 March 2019	–
	<hr/>
Net carrying amount:	
At 31 March 2019	–
	<hr/>

Investment properties 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 were 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). The investment properties have been returned to local authorities and have no carrying amount as at 31 March 2019 accordingly.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

15. INTANGIBLE ASSETS

	HK\$'000
Cost:	
At 1 April 2018	507,877
Exchange realignment	(33,476)
At 31 March 2019 and 1 April 2019	474,401
Exchange realignment	(29,029)
At 31 March 2020	445,372
Accumulated amortisation:	
At 1 April 2018	(22,000)
Charged for the year (<i>note 6</i>)	(2,821)
Exchange realignment	1,448
At 31 March 2019 and 1 April 2019	(23,373)
Charged for the year (<i>note 6</i>)	(5,871)
Exchange realignment	1,575
At 31 March 2020	(27,669)
Net carrying amount:	
At 31 March 2019	451,028
At 31 March 2020	417,703

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

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

16. GOODWILL

	HK\$'000
Cost:	
At 1 April 2018	13,948
Exchange realignment	(919)
At 31 March 2019 and 1 April 2019	13,029
Exchange realignment	(797)
At 31 March 2020	12,232
Accumulated impairment:	
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	-
Net carrying amount:	
At 31 March 2019	13,029
At 31 March 2020	12,232

The carrying amounts of the respective CGU's goodwill are as follows:

	2020 HK\$'000	2019 HK\$'000
Yin Chuan Fu Shou Yuan	12,232	13,029

The impairment assessment was based on the recoverable amount of the CGU. In the opinion of the directors of the Company, there is no impairment (2019: Nil) of the above CGU to which goodwill is allocated as at 31 March 2020.

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 forecast period. Management estimates discount rate using pre-tax rate that reflects 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 value in use calculation uses cash flow projections based on financial budgets approved by the directors of the Company covering a five-year period (2019: five-year period) and a pre-tax discount rate of 16% (2019: 17%). Cash flows beyond that five-year period have been extrapolated using declining growth rates until a steady 3% (2019: 3%) growth rate is reached. This growth rate does not exceed the long-term average growth rate for the market in which the Group operates.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

17. INVESTMENT IN AN ASSOCIATE

Hangzhou Anbaishi Electronic Commerce Limited (“Hangzhou Anbaishi”), which was considered a material associate of the Group, was a strategic partner of the Group engaged in the e-commerce and sale of funeral products in the PRC. 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 33.

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

	At Disposal Date HK\$'000
Proportion of the Group’s ownership	35%
Group’s share of net assets of the associate, excluding goodwill	4,526
Goodwill on acquisition	80
	<hr/>
Carrying amount of the investment (<i>note 33</i>)	4,606
	<hr/>
Revenue	1,017
Profit for the period	397
Total comprehensive income for the period	397

18. EQUITY INVESTMENTS

	2020 HK\$'000	2019 HK\$'000
Unlisted equity investments, at fair value	2,666	2,332

As at 31 March 2019 and 2020, the fair values of the equity investments were estimated by the directors of the Company by using market approach with the following key parameters:

	2020	2019
Price earnings ratio	61%	32%
Discount for lack of control	25%	25%
Discount for lack of marketability	25%	25%

The fair value gain of approximately HK\$334,000 (2019: Nil) was recognised as other comprehensive income in consolidated statement of comprehensive income for the year ended 31 March 2020.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

19. CEMETERY ASSETS

	Land costs HK\$'000	Landscape facilities HK\$'000	Total HK\$'000
Cost:			
At 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 and 1 April 2019	23,567	251,216	274,783
Additions	–	14,680	14,680
Transferred to inventories	(661)	(6,934)	(7,595)
Exchange realignment	(1,442)	(15,712)	(17,154)
At 31 March 2020	21,464	243,250	264,714
Accumulated amortisation:			
At 1 April 2018	(1,054)	(36,491)	(37,545)
Charged for the year (<i>note 6</i>)	(489)	(7,067)	(7,556)
Eliminated on transfers	278	376	654
Exchange realignment	68	2,426	2,494
At 31 March 2019 and 1 April 2019	(1,197)	(40,756)	(41,953)
Charged for the year (<i>note 6</i>)	(471)	(7,260)	(7,731)
Eliminated on transfers	119	687	806
Exchange realignment	81	2,678	2,759
At 31 March 2020	(1,468)	(44,651)	(46,119)
Net carrying amount:			
At 31 March 2019	22,370	210,460	232,830
At 31 March 2020	19,996	198,599	218,595

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

Effective from 1 April 2019, the carrying amount of leasehold lands is measured under HKFRS 16 at the lower of cost less accumulated amortisation and recoverable amount prior to the commencement of development of the cemetery. The land costs are amortised on a straight-line basis over lease term of 50 years.

Landscape facilities represent the construction cost of public facilities in the cemetery. Amortisation for landscape facilities is provided on a straight-line basis over the shorter of the remaining lease term of land and estimated useful life of 20 to 40 years.

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

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

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 2018	(119,320)	(6,356)	(10,611)	(136,287)
Deferred tax credited/(charged) to profit or loss during the year (<i>note 10</i>)	971	2,227	(954)	2,244
Exchange realignment	7,867	421	–	8,288
At 31 March 2019 and 1 April 2019	(110,482)	(3,708)	(11,565)	(125,755)
Deferred tax credited/(charged) to profit or loss during the year (<i>note 10</i>)	1,773	211	(141)	1,843
Exchange realignment	6,717	222	–	6,939
At 31 March 2020	(101,992)	(3,275)	(11,706)	(116,973)

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

20. DEFERRED TAX (CONTINUED)

Deferred tax assets

	Contract liabilities and others HK\$'000	Decelerated tax amortisation HK\$'000	Impairment loss on investment properties HK\$'000	Write-down of inventories to net realisable value HK\$'000	Total HK\$'000
At 1 April 2018	4,086	503	592	–	5,181
Deferred tax credited/(charged) to profit or loss during the year (<i>note 10</i>)	120	(328)	(553)	–	(761)
Exchange realignment	(270)	(34)	(39)	–	(343)
At 31 March 2019 and 1 April 2019	3,936	141	–	–	4,077
Deferred tax credited/(charged) to profit or loss during the year (<i>note 10</i>)	502	(316)	–	505	691
Exchange realignment	(428)	175	–	(13)	(266)
At 31 March 2020	4,010	–	–	492	4,502

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:

	2020 HK\$'000	2019 HK\$'000
Net deferred tax liabilities recognised in the consolidated statement of financial position	(112,471)	(121,678)

The Group has tax losses arising in Hong Kong of HK\$180,356,000 as at 31 March 2020 (2019: HK\$168,081,000), 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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

20. DEFERRED TAX (CONTINUED)

Deferred tax assets (Continued)

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

	2020 HK\$'000	2019 HK\$'000
Tax losses	198,889	185,978

Deferred tax assets have not been recognised in respect of tax losses amounting to HK\$198,889,000 (2019: HK\$185,978,000) as at 31 March 2020. The tax losses amounting to HK\$18,533,000 as at 31 March 2020 (2019: HK\$17,897,000) will expire within the next 5 years for offsetting against future taxable profits. The tax losses of HK\$180,356,000 (2019: HK\$168,081,000) as at 31 March 2020 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% (2019: 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\$55,855,000 (2019: HK\$66,115,000) in aggregate.

21. INVENTORIES

	2020 HK\$'000	2019 HK\$'000
Inventories		
– Tombs	228,859	245,670

As at 31 March 2020, inventories of approximately HK\$129,815,000 (2019: HK\$178,457,000) were expected to be recovered in more than one year.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

22. TRADE RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Trade receivables	1,014	912

The Group's trading terms with its customers are mainly on credit, except for certain 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 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:

	2020 HK\$'000	2019 HK\$'000
Within 60 days	271	121
181 to 365 days	–	791
Over 1 year	743	–
	1,014	912

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

	2020 HK\$'000	2019 HK\$'000
Neither past due nor impaired	271	912
Past due more than one year but less than two years	743	–
	1,014	912

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 43(iii).

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Prepayments	2,729	2,597
Deposits and other receivables	660	859
	3,389	3,456

Quantitative disclosures in respect of the Group's exposure to credit risk arising from deposits and other receivables are set out in note 43(iii).

The directors of the Company consider that the fair value 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

	2020 HK\$'000	2019 HK\$'000
Cash and cash equivalents:		
Cash and bank balances	62,030	34,999
Short-term deposits	15,627	–
	77,657	34,999

As at 31 March 2020, cash and cash equivalents of the Group denominated in RMB amounted to HK\$60,007,000 (2019: HK\$31,597,000). 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.

The effective interest rates of the Group's short-term deposits as at 31 March 2020 ranged from 1.5% to 2.6% per annum and have original maturity period from 30 to 90 days.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

25. TRADE PAYABLES

	2020 HK\$'000	2019 HK\$'000
Trade payables	34,593	33,953

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

	2020 HK\$'000	2019 HK\$'000
Within 90 days	29,893	18,688
91 to 180 days	2	47
181 to 365 days	2,012	334
Over 1 year	2,686	14,884
	34,593	33,953

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

26. OTHER PAYABLES AND ACCRUALS

	2020 HK\$'000	2019 HK\$'000
Accruals	3,547	4,734
Deposits received	49	52
Other payables	2,026	2,729
	5,622	7,515

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

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

27. CONTRACT LIABILITIES

	2020 HK\$'000	2019 HK\$'000
At 1 April	40,934	41,798
Addition during the year	18,313	7,095
Released to profit or loss	(11,643)	(4,643)
Exchange realignment	(2,669)	(3,316)
At 31 March	44,935	40,934
	2020 HK\$'000	2019 HK\$'000
Analysed into:		
Current	23,605	23,684
Non-current	21,330	17,250
	44,935	40,934

Contract liabilities represent management fees received in advance in respect of tombs and niches sold of HK\$24,737,000 (2019: HK\$20,896,000) and deposits received from sales of tombs and niches of HK\$20,198,000 (2019: HK\$20,038,000) which remain as contract liabilities until such time as the service or sales transaction completed to date outweigh the amount received.

As at 31 March 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is HK\$44,935,000 (2019: 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 2020 is as follows:

	2020 HK\$'000	2019 HK\$'000
Within one year	23,605	23,684
More than one year but less than five years	9,519	8,701
Over five years	11,811	8,549
	44,935	40,934

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

28. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Repayment dates	2020 HK\$'000
Current			
Bank loans			
– secured (<i>note (d)</i>)	5.66-6.09	September 2020	5,472
Current portion of long-term bank loans – guaranteed and secured (<i>note (e)</i>)	4.75	April 2020 – January 2021	27,361
Other borrowings			
– guaranteed and secured (<i>note (c)</i>)	5.00	June 2020	10,945
Other borrowings			
– unsecured (<i>note (f)</i>)	12.00	September 2022	5,472
			49,250
Non-current			
Bank loans			
– guaranteed and secured (<i>note (e)</i>)	4.75	April 2021 – July 2024	114,217
			163,467

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

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

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

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

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

	2020 HK\$'000	2019 HK\$'000
Based on the repayment schedules and analysed into		
Bank loans repayable:		
Within one year or on demand	32,833	33,283
In the second year	30,645	27,454
In the third to fifth years, inclusive	83,572	109,887
	147,050	170,624
Other borrowings repayable:		
Within one year or on demand	10,945	41,658
In the second year	-	-
In the third to fifth years, inclusive	5,472	-
	16,417	41,658
	163,467	212,282

Notes:

- (a) As at 31 March 2019, the Group's bank loans amounting to HK\$164,795,000 were secured by shareholders' shares in subsidiaries, and buildings owned by a non-controlling shareholder, and were guaranteed by certain directors of the Company and a non-controlling shareholder of a subsidiary. It has been early repaid during the year ended 31 March 2020.
- (b) 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 was guaranteed by Mr. Shi Hua, the director of the Company. It has been fully repaid during the year ended 31 March 2020.
- (c) The balance represents a discounted bill which is secured by certain property, plant and equipment with net carrying amount of HK\$12,574,000 (2019: HK\$13,845,000) and guaranteed by a subsidiary of the Group.
- (d) The balances are secured by certain property, plant and equipment with net carrying amount of HK\$4,138,000 (2019: HK\$4,557,000).
- (e) As at 31 March 2020, the Group's bank loans amounting to HK\$141,578,000 are secured by 98.38% equity interests in a subsidiary of the Company and properties owned by a related company in which one of the executive directors has control, together with the rental income receivables from these properties and guaranteed by a subsidiary.
- (f) The balance is unsecured and due in September 2022. As this loan contains a repayment on demand clause, it is classified as current liabilities accordingly.
- (g) All borrowings are denominated in RMB.

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For the year ended 31 March 2020

29. RIGHT-OF-USE ASSETS, LEASE LIABILITIES AND LEASES

HKFRS 16 – Leases was adopted on 1 April 2019 without restatement of comparative figures. An explanation of the transitional requirements that were applied as at 1 April 2019, are set out in note 2.2. The accounting policies applied subsequent to the date of initial application, 1 April 2019, are disclosed in note 2(m). For both years, the Group leases various offices, sales centers and staff quarters for its operations. Lease contracts are entered into for fixed term of 1 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Right-of-use assets

The analysis of the net carrying amount of leased properties recognised as right-of-use assets is as follows:

	HK\$'000
As at 31 March 2019 (as previously stated)	–
Initial adoption of HKFRS 16	3,901
As at 1 April 2019 (restated)	3,901
Additions	1,686
Lease modification	(770)
Depreciation charged (note 6)	(2,185)
Exchange realignment	(95)
As at 31 March 2020	2,537

Lease liabilities

The present value of future lease payments of the Group's leases are analysed as:

	31 March 2020 HK\$'000	1 April 2019 HK\$'000
Current	1,479	1,912
Non-current	744	1,232
	2,223	3,144

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

29. RIGHT-OF-USE ASSETS, LEASE LIABILITIES AND LEASES (CONTINUED)

Lease liabilities (Continued)

Movement of the Group's lease liabilities is analysed as follows:

	HK\$'000
As at 31 March 2019 (as previously stated)	–
Initial adoption of HKFRS 16	3,144
As at 1 April 2019 (restated)	3,144
Additions	1,528
Lease modification	(795)
Interest expenses	161
Lease payments	(1,757)
Exchange realignment	(58)
As at 31 March 2020	2,223

The future lease payments of the Group's leases (excluding short-term leases) were scheduled to be repaid as follows:

	Minimum lease payments HK\$'000	Interest HK\$'000	Present value HK\$'000
As at 31 March 2020			
Not later than one year	1,600	(121)	1,479
Later than one year but not later than five years	1,215	(471)	744
	2,815	(592)	2,223
As at 1 April 2019			
Not later than one year	2,089	(177)	1,912
Later than one year but not later than five years	1,286	(54)	1,232
	3,375	(231)	3,144

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For the year ended 31 March 2020

29. RIGHT-OF-USE ASSETS, LEASE LIABILITIES AND LEASES (CONTINUED)

As lessee prior to 1 April 2019

The Group leased a number of office premises, sales centers and staff quarters under operating lease arrangements. They are negotiated for terms ranging from one to three years.

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

	2019 HK\$000
Within one year	2,600
In the second to fifth years, inclusive	1,721
	<u>4,321</u>

30. AMOUNT DUE TO NON-CONTROLLING SHAREHOLDER

As at 31 March 2019, the amount due to non-controlling shareholder of HK\$2,827,000 was non-trade in nature, unsecured, interest-free and repayable on demand.

31. SHARE CAPITAL

	2020 HK\$'000	2019 HK\$'000
Issued and fully paid: 888,545,000 (2019: 740,545,000) ordinary shares	<u>88,855</u>	74,055

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

31. SHARE CAPITAL (CONTINUED)

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 2018	7,405,453	740,545
Share consolidation and capital reduction (<i>note (a)</i>)	(6,664,908)	(666,490)
At 31 March 2019 and 1 April 2019	740,545	74,055
Issue of shares upon share placing (<i>note (b)</i>)	148,000	14,800
At 31 March 2020	888,545	88,855

Notes:

- (a) 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 in the number of issued 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 amount 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.
- (b) On 17 December 2019, 148,000,000 ordinary shares were issued upon share placing at a placing price of HK\$0.15 per share for a total cash consideration of approximately HK\$22,200,000, before netting of the share placing expenses of approximately HK\$333,000. Details of the transactions were set out in the Company's announcements dated 29 November 2019 and 17 December 2019.

All new shares issued during the years ended 31 March 2020 and 2019 rank pari passu with other shares then in issue in all respects.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

32. 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 77 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 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.

33. 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 Etiquette Services Co., Ltd. ("Hangzhou Haoletian"), including the 20% equity interests in Hangzhou Anbaishi, which was an associate of the Group, 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 at a 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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

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

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) paid for 15% equity interests in Hangzhou Anbaishi.

The allocated considerations 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

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

The total net assets disposed of in respect of the disposal of the subsidiary 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 (<i>note 6</i>)	(824)
	7,548

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

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

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

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

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

(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

34. ACQUISITION OF NON-CONTROLLING INTERESTS

On 15 August 2019, the Group acquired additional 1.62% equity interests in Zhejiang Anxian Yuan, a 98.38% owned subsidiary as at 31 March 2019. As a result of the acquisition, the Group owned 100% equity interests in this subsidiary since then, details of which are set out in the Company's announcement dated 15 August 2019.

An analysis of the effects of changes in shareholdings in Zhejiang Anxian Yuan on the consolidated equity attributable to the owners of the Company during the year is as follows:

	HK\$'000
Net assets attributable to 1.62% equity interests	7,825
Less: Cash consideration paid for 1.62% equity interests	6,652
Increase in equity attributable to owners of the Group (included in other reserve)	1,173

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.

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For the year ended 31 March 2020

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.

NOTES TO FINANCIAL STATEMENTS

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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 undertaken 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 participant 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 years ended 31 March 2019 and 2020, no share option has been granted under the 2018 Share Option Scheme. No share option was outstanding as at 31 March 2019 and 2020.

NOTES TO FINANCIAL STATEMENTS

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35. SHARE OPTION SCHEME (CONTINUED)

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

	Weighted average exercise price HK\$ per share	Number of options '000
At 1 April 2018	0.206	377,862
Lapsed during the year	0.138	(377,862)
At 31 March 2019, 1 April 2019 and 31 March 2020		–

During the year ended 31 March 2019, all of the remaining share options of 377,862,000 were lapsed by the end of the exercise period. The share-based compensation reserve of approximately HK\$21,968,000 was released to retained profits accordingly.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities:

	Interest- bearing bank and other borrowings HK\$'000	Amount due to non- controlling shareholder HK\$'000	Dividend payable HK\$'000	Lease Liabilities HK\$'000
At 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)	–	–	–
Advance from non-controlling shareholder	–	1,964	–	–
Dividend paid to non-controlling shareholder	–	–	(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 (as previously stated)	212,282	2,827	–	–
Initial adoption of HKFRS 16 (note 2.2)	–	–	–	3,144
At 1 April 2019 (restated)	212,282	2,827	–	3,144
Changes arising from cash flows:				
New bank and other borrowings raised	188,640	–	–	–
Repayments of bank and other borrowings	(226,301)	–	–	–
Repayment to non-controlling shareholder	–	(2,780)	–	–
Repayment of principal portion of lease liabilities	–	–	–	(1,757)
Dividend paid to non-controlling shareholder	–	–	(808)	–
Other changes:				
Additions	–	–	–	1,528
Interest expense	3,957	–	–	161
Lease modification	–	–	–	(795)
Interest paid under operating activities	(10,006)	–	–	–
Capitalised finance costs	6,049	–	–	–
Dividend declared/approved	–	–	808	–
Exchange realignment	(11,154)	(47)	–	(58)
At 31 March 2020	163,467	–	–	2,223

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

The total taxes paid during the year were:

	2020 HK\$'000	2019 HK\$'000
Operating activities:		
Taxes paid in the PRC	20,944	12,442

37. PLEDGE OF ASSETS

Details of the Group's interest-bearing bank and other borrowings, which are secured by the assets of the Group, are included in note 28 to the financial statements.

38. COMMITMENTS

In addition to the operating lease commitments prior to 1 April 2019 as detailed in note 29, the Group had the following capital commitments at the end of the reporting period:

	2020 HK\$'000	2019 HK\$'000
Contracted, but not provided for:		
Proposed acquisition of land use rights	–	9,326
Project construction	437	29
	437	9,335

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

39. 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

	2020 HK\$'000	2019 HK\$'000
Consultancy fee to non-controlling shareholder in which one of the executive directors has control (<i>notes (i) and (iii)</i>)	1,037	2,611
Consultancy fee to a related company in which one of the executive directors has control (<i>notes (i) and (iii)</i>)	1,687	–
Payment to non-controlling shareholder to acquire the 1.62% equity interests of Zhejiang Anxian Yuan (<i>note (i)</i>)	6,652	–
Rental expense to non-controlling shareholder in which one of the executive directors has control (<i>note (i)</i>)	–	333
Interest expense to a related company in which one of the executive directors has control (<i>note (ii)</i>)	531	5,775

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.
- (iii) These transactions related to consultancy fee paid to a non-controlling shareholder of a subsidiary of the Group and one of the executive directors has control on this subsidiary, it became a related party in which one of the executive directors still has control but no longer a non-controlling shareholder to the Group, resulted by the acquisition of additional 1.62% equity interests of this subsidiary by the Group on 15 August 2019 (*note 34*).

Certain directors of the Company have guaranteed certain amount of the bank and other borrowings. Details are set out in *note 28* to the financial statements.

(b) Outstanding balances with related parties

- (i) The Group has no outstanding balances to the non-controlling shareholder as at 31 March 2020 (2019: HK\$2,827,000). The amount was non-trading in nature, unsecured, interest-free and repayable on demand as disclosed in *note 30*.
- (ii) As mentioned in *note 28(b)*, the Group had an outstanding balance of other borrowing due to a related company, in which one of the executive directors has control, amounted to HK\$30,000,000 as at 31 March 2019. The balance was unsecured, guaranteed by Mr. Shi Hua, bearing an interest rate of 15% per annum and repaid during the year ended 31 March 2020.

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39. 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.

40. NON-CONTROLLING INTERESTS

As at 31 March 2020, Yin Chuan Fu Shou Yuan and Zunyi Dashenshan, a 70% and 80% owned subsidiaries of the Group respectively, have material non-controlling interests (the "NCI"). During the year ended 31 March 2020, Zhejiang Anxian Yuan becomes a wholly-owned subsidiary of the Group by acquiring 1.62% equity interests from the non-controlling shareholder which completed on 15 August 2019 as details are set out in note 34. 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:

	2020 HK\$'000	2019 HK\$'000
For the period ended 15 August/year ended 31 March		
Revenue	61,291	173,027
Profit for the period/year	8,520	43,575
Total comprehensive income	(19,908)	5,934
 (Loss)/Profit allocated to NCI	 (322)	 96
 Dividends paid to NCI	 (808)	 (378)
For the period ended 15 August/year ended 31 March		
Cash flows generated from operating activities	51,967	39,926
Cash flows used in investing activities	(49,615)	(20,979)
Cash flows used in financing activities	(1)	(5,649)
Effect of foreign exchange rate changes, net	(8,447)	(11,726)
 Net cash (outflow)/inflow	 (6,096)	 1,572

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40. NON-CONTROLLING INTERESTS (CONTINUED)

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

	2020 HK\$'000	2019 HK\$'000
For the year ended 31 March		
Current assets	317,979	359,824
Non-current assets	483,250	516,963
Current liabilities	(78,700)	(90,711)
Non-current liabilities	(204,152)	(233,266)
Net assets	518,377	552,810
Accumulated non-controlling interests	N/A	8,955

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

	2020 HK\$'000	2019 HK\$'000
For the year ended 31 March		
Revenue	21,134	22,093
Loss for the year	(1,525)	(2,340)
Total comprehensive income	(6,863)	(8,331)
Loss allocated to NCI	(2,059)	(2,499)
For the year ended 31 March		
Cash flows (used in)/generated from operating activities	(916)	129
Cash flows used in investing activities	(1,637)	(1,960)
Effect of foreign exchange rate changes, net	1,035	787
Net cash outflow	(1,518)	(1,044)

NOTES TO FINANCIAL STATEMENTS

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40. 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)

	2020 HK\$'000	2019 HK\$'000
As at 31 March		
Current assets	15,987	14,366
Non-current assets	101,686	110,615
Current liabilities	(10,723)	(12,681)
Non-current liabilities	(24,758)	(24,462)
Net assets	82,192	87,838
Accumulated non-controlling interests	24,658	26,351

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

	2020 HK\$'000	2019 HK\$'000
For the year ended 31 March		
Revenue	36,576	26,860
Loss for the year	(3,891)	(235)
Total comprehensive income	(7,410)	(4,421)
Loss allocated to NCI	(1,482)	(884)
For the year ended 31 March		
Cash flows used in operating activities	(4,667)	(2,700)
Cash flows used in investing activities	(1,220)	(2,841)
Effect of foreign exchange rate changes, net	4,666	5,761
Net cash (outflow)/inflow	(1,221)	220

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

40. NON-CONTROLLING INTERESTS (CONTINUED)

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

	2020 HK\$'000	2019 HK\$'000
As at 31 March		
Current assets	17,295	19,541
Non-current assets	137,348	151,553
Current liabilities	(94,210)	(105,005)
Non-current liabilities	(8,760)	(7,006)
Net assets	51,673	59,083
Accumulated non-controlling interests	10,335	11,817

41. 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:

31 March 2020

Financial assets

	At amortised cost HK\$'000	At FVTOCI HK\$'000	Total HK\$'000
Equity investments	–	2,666	2,666
Trade receivables	1,014	–	1,014
Financial assets included in prepayments, deposits and other receivables (<i>note 23</i>)	660	–	660
Cash and cash equivalents	77,657	–	77,657
	79,331	2,666	81,997

Financial liabilities

	At amortised cost HK\$'000
Trade payables	34,593
Financial liabilities included in other payables and accruals (<i>note 26</i>)	5,573
Interest-bearing bank and other borrowings (<i>note 28</i>)	163,467
Lease liabilities	2,223
	205,856

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

41. FINANCIAL INSTRUMENTS BY CATEGORIES (CONTINUED)

31 March 2019

Financial assets

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

Financial liabilities

	At amortised cost HK\$'000
Trade payables	33,953
Financial liabilities included in other payables and accruals (<i>note 26</i>)	7,463
Interest-bearing bank and other borrowings (<i>note 28</i>)	212,282
Amount due to non-controlling shareholder	2,827
	<u>256,525</u>

42. 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 amount due to non-controlling shareholder 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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

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

The fair values of the lease liabilities and 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 and characteristic, credit risk and remaining maturities. The Group's own non-performance risk for lease liabilities and interest-bearing bank and other borrowings as at 31 March 2020 was assessed to be insignificant.

Fair value hierarchy

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

	Fair value measurement using			Total HK\$'000
	Quoted prices in active market Level 1 HK\$'000	Significant observable inputs Level 2 HK\$'000	Significant unobservable inputs Level 3 HK\$'000 (note)	
31 March 2020				
Financial assets				
– Unlisted equity securities, at fair value	–	–	2,666	2,666
31 March 2019				
Financial assets				
– Unlisted equity securities, at fair value	–	–	2,332	2,332

Note:

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

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

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

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

	2020 HK\$'000	2019 HK\$'000
Financial assets at fair value through other comprehensive income		
– Unlisted equity securities		
At beginning of the year	2,332	–
Restated at fair value as at 1 April 2018	–	2,496
Fair value change	476	–
Exchange realignment	(142)	(164)
At end of the year	2,666	2,332

The fair value of the unlisted equity securities is Level 3 recurring fair value measurement. During the year ended 31 March 2020, there have been no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2019: Nil).

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 2020				
– Unlisted equity securities, at fair value	Market approach	Price earnings ratio	61%	A shift of +/-5% in price earnings ratio, would result in change of fair value by +/- HK\$133,000
		Discount for lack of marketability	25%	A shift of +/-5% in the discount for lack of control and for lack of marketability, would result in change of fair value by +/- HK\$133,000
		Discount for lack of control	25%	A shift of +/-5% in the discount for lack of control and for lack of marketability, would result in change of fair value by +/- HK\$133,000
At 31 March 2019				
– Unlisted equity securities, at fair value	Market approach	Price earnings ratio	32%	A shift of +/-5% in price earnings ratio, would result in change of fair value by +/- HK\$128,000
		Discount for lack of marketability	25%	A shift of +/-5% in the discount for lack of control and for lack of marketability, would result in change of fair value by +/- HK\$128,000
		Discount for lack of control	25%	A shift of +/-5% in the discount for lack of control and for lack of marketability, would result in change of fair value by +/- HK\$128,000

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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.

(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 28). 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 of increase or decrease in 50 basis points (2019: 50 basis points), 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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(i) Interest rate risk (Continued)

	Increase/(Decrease) in profit before tax and retained profits HK\$'000	
31 March 2020	(751)	751
31 March 2019	(775)	775

(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 2020 and 2019.

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

(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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(iii) Credit risk (Continued)

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 27% (2019: 13%) and 45% (2019: 35%) 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.

ECL 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 2020 and 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 there is no significant impact of ECLs on other financial assets at amortised cost as at 31 March 2020.

As at 31 March 2019, except the write-off of other receivables of HK\$4,985,000 due to its credit impaired, there was no significant impact of ECLs on other financial assets at amortised cost.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

43. 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	–

As at 31 March 2020 and 2019, there is no financial guarantees issued by the Group.

(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, amount due to non-controlling shareholder, 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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(iv) Liquidity risk (Continued)

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	More than 1 year HK\$'000	Total contractual undiscounted cash flows HK\$'000	Carrying amount HK\$'000
31 March 2020				
Trade payables	34,593	–	34,593	34,593
Other payables and accruals	5,573	–	5,573	5,573
Interest-bearing bank and other borrowings	56,352	126,837	183,189	163,467
Lease liabilities	1,270	1,242	2,512	2,223
	97,788	128,079	225,867	205,856
	Within 1 year or on demand HK\$'000	More than 1 year HK\$'000	Total contractual undiscounted cash flows HK\$'000	Carrying amount HK\$'000
31 March 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
Amount due to non-controlling shareholder	2,827	–	2,827	2,827
	130,712	159,776	290,488	256,525

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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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 2020 and 2019.

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 2020 was approximately HK\$680,328,000 (2019: HK\$658,092,000), which management considers as optimal having considered the projected capital expenditures and the forecast strategic investment opportunities.

The Group is not subject to externally imposed capital requirements.

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

	2020 HK\$'000	2019 HK\$'000
Interest-bearing bank and other borrowings	163,467	212,282
Lease liabilities	2,223	–
Less: Cash and cash equivalents	(77,657)	(34,999)
Net debt	88,033	177,283
Total equity	680,328	658,092
Gearing ratio (%)	13	27

44. EVENT AFTER THE REPORTING DATE

On 25 March 2020, the Company proposed a rights issue on the basis of three rights shares for every two existing shares in issue at a subscription price of HK\$0.1 per rights share to raise approximately HK\$133,282,000 before expenses by way of issuing up to 1,332,817,890 rights shares, in which 303,267,000 rights shares and 18,300,000 rights shares are underwritten by the executive directors of the Company, Mr. Shi Hua and Mr. Shi Jun respectively (the "Rights Issue"). Details of the Rights Issue and the whitewash waiver were set out in the circular of the Company dated 29 April 2020.

A special general meeting of the Company was held on 28 May 2020 to pass the resolutions for approving the Rights Issue and the whitewash waiver.

Save as disclosed above, there was no event occurring after the reporting date to be disclosed by the Group up to the approval date of the financial statements.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2020 HK\$'000	2019 HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	223	372
Right-of-use assets	1,773	–
Investments in subsidiaries	9	9
Total non-current assets	2,005	381
CURRENT ASSETS		
Deposits and other receivables	797	579
Amounts due from subsidiaries	408,725	425,716
Cash and cash equivalents	17,260	2,954
Total current assets	426,782	429,249
CURRENT LIABILITIES		
Other payables and accruals	1,256	1,669
Interest-bearing bank and other borrowings	–	30,000
Lease liabilities	1,186	–
Total current liabilities	2,442	31,669
NET CURRENT ASSETS	424,340	397,580
TOTAL ASSETS LESS CURRENT LIABILITIES	426,345	397,961
NON-CURRENT LIABILITIES		
Lease liabilities	612	–
Total non-current liabilities	612	–
NET ASSETS	425,733	397,961
EQUITY		
Share capital	88,855	74,055
Reserves	336,878	323,906
TOTAL EQUITY	425,733	397,961

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2020

45. 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	Accumulated losses HK\$'000	Total HK\$'000
At 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
Issue of shares upon share placing, net of share placing expenses (<i>note 31(b)</i>)	7,067	-	-	-	7,067
Total comprehensive income for the year	-	-	-	5,905	5,905
At 31 March 2020	152,916	-	189,490	(5,528)	336,878

GLOSSARY

In this annual report (other than the independent auditor's report and financial statements from pages 68 to 166), the following expressions shall have the following meanings unless the context otherwise requires:

AGM	annual general meeting
Anxian Yuan (Zhejiang)	安賢園(浙江)投資管理有限公司 (in English, for identification purpose, Anxian Yuan (Zhejiang) Investment Management Company Limited), a limited liability company established under the laws of the PRC
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
Chairman	the chairman of the Board
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 Fuyixian	杭州富亦賢科技有限公司 (in English, for identification purposes, Hangzhou Fuyixian Technology Company Limited), a limited liability company established under the laws of the PRC
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

GLOSSARY

Independent Non-executive Director(s)	the independent non-executive Director(s)
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
Nomination Committee	the nomination committee of the Company
Non-executive Director(s)	the non-executive Director(s)
PRC	the People's Republic of China, which for the purpose of this report exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
Remuneration Committee	the remuneration committee of the Company
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 2020
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