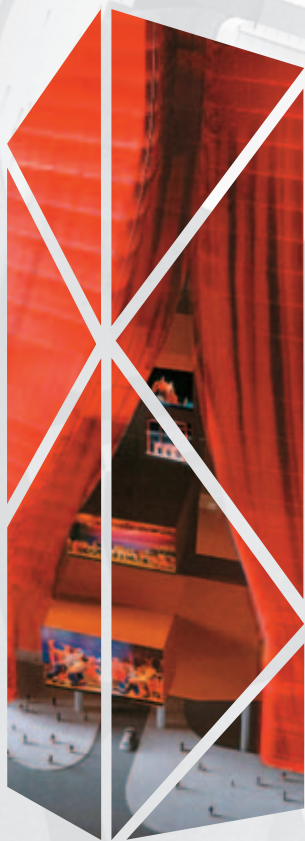


Annual Report 2013



# Let's Build The Future



文化地標投資有限公司  
Culture Landmark Investment Ltd  
*(Incorporated in Bermuda with limited liability)*  
(Stock Code: 00674)

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## Corporate Information

### DIRECTORS

#### Executive Directors

Cheng Yang (*Chairman and Chief Executive Officer*)

Zheng Yuchun

Lei Lei

Li Weipeng

#### Independent Non-executive Directors

So Tat Keung

Tong Jingguo

Yang Rusheng

### AUDITOR

BDO Limited

Certified Public Accountants

### COMPANY SECRETARY

Chan Wai

### PRINCIPAL BANKERS

Hang Seng Bank Limited

Barclays Bank PLC

Chiyu Banking Corporation Limited

### REGISTERED OFFICE

Clarendon House

Church Street

Hamilton HM11

Bermuda

### HEAD OFFICE

Rooms 2501-2505

25th Floor, China Resources Building

26 Harbour Road

Wanchai

Hong Kong

### PRINCIPAL REGISTRARS

Butterfield Fulcrum Group (Bermuda) Limited

26 Burnaby Street

Hamilton HM 11

Bermuda

### HONG KONG SHARE REGISTRARS AND TRANSFER OFFICE

Tricor Secretaries Limited

26th Floor, Tesbury Centre

28 Queen's Road East

Hong Kong

### LEGAL ADVISORS

Fred Kan & Co.

## Five Year Financial Summary

	<b>2013</b>	2012	2011	2010	2009
	<b>HK\$'000</b>	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Results</b>					
<b>Year ended 31 march</b>					
Loss attributable to owners of the Company	<b>(78,395)</b>	(293,521)	(266,228)	(1,153,701)	(190,773)
<b>Assets and liabilities</b>					
<b>At 31 march</b>					
Total assets	<b>1,222,622</b>	1,531,389	1,159,575	1,286,376	1,014,551
Total liabilities	<b>(450,221)</b>	(585,056)	(270,434)	(248,780)	(220,461)
Total equity	<b>772,401</b>	946,333	889,141	1,037,596	794,090

# Management Discussion and Analysis

## BUSINESS REVIEW AND OUTLOOK

### Financial Review

#### *Consolidated results*

The turnover and loss of Culture Landmark Investment Limited (the “Company”) and its subsidiary (collectively, the “Group”) for the year ended 31 March 2013 were approximately HK\$296 million and HK\$83 million respectively as compared to HK\$299 million and HK\$311 million respectively of last year. The significant part of the loss was attributable to substantial impairment on assets held under the exhibition-related business, hotel business and entertainment business recorded for the year 2012. Further, following the conclusion of an arbitration proceeding during the year under review, the Group recorded an approximately HK\$5 million gain on step acquisition of jointly controlled entities and HK\$36 million gain on bargain purchase of 20% interests in the registered capital of 天合文化集團有限公司 (Tian He Wen Hua Group Holdings Limited\*) (“Tian He”).

#### *Review*

##### *Licence fee collection business*

The Group entered into various agreements with owners of intellectual property rights in musical works (“IP Rights”). By acquiring the IP rights, the Group would engage in the collection of licence fees for karaoke musical works from karaoke operators in PRC.

The Group also engages in the provision of copyright licence fees settlement and collection services for karaoke music products and videos in PRC, and the provision of intellectual property enforcement services in respect of karaoke music products in PRC in return for service fees to be collected from karaoke box.

In order to increase our market share in this industry in PRC, the Group has adopted an aggressive strategy and entered into separate agreements for the acquisitions of (i) an additional 8.47% equity interest in and the benefit of 50% of all amounts due to the minority shareholders of Welly Champ International Limited (“Welly Champ”); and (ii) the entire issued share capital of Media Sound Technology Limited (“Media Sound”).

Welly Champ is an investment holding company which holds 66.81% interests in Well Allied Investments Limited (“Well Allied”). Well Allied is principally engaged in the collection of fees for licensing of karaoke music products in PRC.

Media Sound is an investment holding company holding certain interests in companies which principally engaged in investment consulting, organisation of cultural and art exchange activities (excluding acting as intermediaries in performances), acting as music copyright agents and provision of intellectual property enforcement services.

Particulars of the acquisitions are set out in the Company’s announcements dated 30 April 2012, 9 May 2012 and 21 September 2012 and the circular dated 11 January 2013.

\* For identification purpose only

# Management Discussion and Analysis

## BUSINESS REVIEW AND OUTLOOK (Continued)

### Financial Review (Continued)

#### *Review (Continued)*

#### *Licence fee collection business (Continued)*

Apart from the acquisitions mentioned above, the Group's investments in licence fee collection business were further strengthened following the conclusion of an arbitration proceeding. As previously disclosed in the Company's 2012 annual report, Tian He was equally owned by 深圳市華融盛世投資管理有限公司 (Shenzhen Hua Rong Sheng Shi Investment Management Company Limited\*) ("Shenzhen Hua Rong"), a wholly-owned subsidiary of the Company, and 北京中文發數字科技有限公司 (China Culture Development Digital Technology Co., Ltd.\*) ("CCDDT"). Tian He entered into a licensing agreement with CCDDT pursuant to which Tian He was granted an exclusive right to gain access to the karaoke content management service system (the "Karaoke CMS") owned by CCDDT to provide copyright transaction settlement services and to develop related value added services in PRC for a term of 10 years from 15 July 2007. The system connects its data centre to karaoke box to supervise and keep track of music videos played in karaoke box. There were delays in rollout of copyright licence fees settlement and collection services in respect of karaoke music products and videos in various provinces in PRC as a result of the disagreement with CCDDT in respect of the operation and future development of the business. On 22 June 2011, Shenzhen Hua Rong commenced an arbitration proceeding in Beijing ("Arbitration Proceeding") against CCDDT for breach of shareholders' agreement (the "Shareholders' Agreement") dated 15 July 2007 and a share transfer agreement (the "Share Transfer Agreement") signed in 2007 for the transfer of 20% of the registered capital of Tian He by Shenzhen Hua Rong to CCDDT and seek for orders for the termination of the Shareholders' Agreement, return of the 20% interest in Tian He to Shenzhen Hua Rong and damages of RMB10 million. The arbitration tribunal granted an arbitral award on 30 July 2012, in which it was ruled that the Shareholders' Agreement and the Share Transfer Agreement would be terminated and CCDDT would also return the 20% interest to Shenzhen Hua Rong. The said transfer was completed during the year.

The license fee enforcement business was disrupted intermittently as a result of the Arbitration Proceeding between shareholders of Tian He, which adversely affected the revenue generated from the business. For the year under review, the business recorded a turnover of HK\$65 million (2012: HK\$74 million) and a profit of HK\$42 million (2012: loss of HK\$34 million). The decrease in loss of the business was attributable to the recognition of a gain on step acquisition of jointly controlled entities of approximately HK\$5 million and a gain on bargain purchase of 20% interests in the registered capital of Tian He of approximately HK\$36 million during the year. Also, there was a decrease in the amortisation of deferred expenditure as a result of a drop in payment to copyright holders during the year. Following the Arbitration Proceeding, the directors of the Company ("Directors") are committed to improving the operation of copyright licence fee settlement and collection. The key strategies of the Group are: (i) to strengthen the license fee collection teams for sourcing licensees and arrange for fee collection in various provinces and cities in PRC; (ii) to raise the income target of Tian He; (iii) to build up Tian He's strategic partnership relations with other local partners; and (iv) to promote Tian He's brand name and strengthen its brand recognition in the licence fee collection business in PRC.

The Directors are confident of the business potential in the intellectual property enforcement services and the collection of copyright fees for content distribution of karaoke music products in PRC. The Directors are of the view that the licence fee collection business will improve and generate positive cash inflow to the Group.

# Management Discussion and Analysis

## BUSINESS REVIEW AND OUTLOOK (Continued)

### Financial Review (Continued)

#### *Review (Continued)*

##### *Exhibition-related business*

China Resources Advertising & Exhibition Company Limited and its subsidiaries (the "CRA Group") are principally engaged in exhibition-related business. The CRA Group has acted as an organiser and contractor for exhibitions and meeting events held in Hong Kong. It has developed over 20-year relationship with the Hong Kong Trade Development Council ("HKTDC") and has become one of the major agents organising trade fairs for Mainland China groups whilst most of which were co-organised by the HKTDC. The client base is primarily PRC based including numerous sub-councils of the China Council for the Promotion of International Trade in PRC. During the year under review, the CRA Group opened an art gallery in Hong Kong. The Directors believe that this new business would enhance the image and the variety of the Group's exhibition-related business segment. Overall, the exhibition-related business contributed a turnover of approximately HK\$78 million to the Group, including a turnover of HK\$61 million generated from a function named "the Fashion Week" co-organised by the HKTDC. After taking into account the amortisation of intangible assets of HK\$3 million, this business recorded a net profit of approximately HK\$2 million. The Directors are of the view that the exhibition business will keep growing and contribute stable income to the Group in the foreseeable future.

##### *Entertainment business*

Baron Productions and Artiste Management Company Limited, a 51%-owned subsidiary of the Company, engages in the provision of services relating to production and artist management in the entertainment industry. During the year under review, it incurred a loss of approximately HK\$0.4 million.

Chance Music Limited ("CML"), a 60%-owned subsidiary of the Company, engages in entertainment and other related business. CML owns intellectual property rights in lyrics of various songs. During the year under review, a loss of approximately HK\$0.1 million was recorded. Pursuant to an agreement dated 24 October 2007, the Group is no longer under an obligation to make further contributions to the non-controlling shareholder of CML and the said shareholder is required to buy back 60% interest in CML from the Group for a consideration of HK\$15,000,000 subject to terms and conditions contained in the agreement. In May 2012, the Group received a deposit of HK\$1,000,000 from the non-controlling shareholder as part of the share buy-back payment. It is expected that the share-buy back exercise will be completed in the near future.

In December 2011, the Group acquired up to 74.95% interests in China Media and Films Holdings Limited ("CMF"), a company listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited ("Stock Exchange"). CMF and its subsidiaries are principally engaged in artist management, film distribution and production. In May 2012, the Group entered into a conditional agreement with Eternity Investment Limited for the disposal of approximately 29% interests in CMF (the "Disposal of CMF Interests") for a consideration of approximately HK\$51 million. The Disposal of CMF Interests was approved by shareholders in a special general meeting held on 10 July 2012. Following the Disposal of CMF Interests, the Group's interests in CMF dropped to 45.95% and that CMF became an associated company of the Group. During the year, CMF contributed a turnover of HK\$10 million to the Group and recorded a loss of HK\$1 million while the share of loss of associate was amounted to HK\$4 million.

The Directors believe that its entertainment business will further develop and these investments would gradually yield income to the Group.

# Management Discussion and Analysis

## BUSINESS REVIEW AND OUTLOOK (Continued)

### Financial Review (Continued)

#### *Review (Continued)*

##### *Hotel operations*

The Group operates the Dynasty Hotel in Zhaoqing, PRC with 332 guest rooms, retail shops, restaurants, banquet room, health club and amenities including tennis court and swimming pool. The business recorded a turnover of HK\$58 million and a loss of HK\$49 million. The loss was mainly attributable to the impairment of loss on property, plant and equipment of HK\$1 million, depreciation of its assets of HK\$16 million and impairment loss and amortisation of payments for leasehold land held for own use under operating leases of approximately HK\$16 million in total. Owing to keen competition in the hotel industry, it is within the Director's expectation that the operation of the hotel will remain challenging.

On 19 April 2013, the Group entered into a conditional share transfer and assignment of shareholder's loan agreement with Eternal Nice (Hong Kong) Limited, an independent third party, for the disposal of Wellrich Investments Limited ("Wellrich"), a wholly owned subsidiary of the Group which holds 94% of the registered capital of the Zhaoqing Star-Lake Club which in turn holds the Dynasty Hotel for a consideration of RMB150 million (subject to adjustment). The gain on disposal of Wellrich is estimated to be HK\$26 million. The disposal of Wellrich was approved by the Company's shareholders on 25 June 2013 and it is expected that the transaction will be completed in July 2013.

##### *Property investment*

During the year, the property investment segment of the Group contributed a rental income of HK\$4 million and profit of HK\$11 million. A gain of HK\$13 million was also recorded on the disposal of three properties situated at Tsim Sha Tsui, Sheung Wan and Guangzhou.

On 24 November 2011, the Group entered into a provisional sale and purchase agreement with an independent third party for the disposal of an investment property situated at Tsim Sha Tsui for a consideration of HK\$101 million. On 30 April 2012, the disposal was completed and the Group leased back the property for the period from 1 May 2012 to 31 August 2013.

On 7 February 2012, the Group entered into a provisional sale and purchase agreement with an independent third party for the disposal of an investment property situated at Sheung Wan for a consideration of HK\$6.8 million. The transaction was completed on 20 April 2012.

On 12 December 2012, the Group entered into a sale and purchase agreement with independent third parties for the disposal of an investment property situated at Guangzhou for a consideration of approximately RMB69 million. The transaction was completed on 24 January 2013.

On 10 April 2013, the Group acquired an investment property in Jeju, Korea for a consideration of KRW850 million (approximately HK\$6 million). The Group is actively looking for suitable tenant for the property.



# Management Discussion and Analysis

## BUSINESS REVIEW AND OUTLOOK (Continued)

### Financial Review (Continued)

#### *Review (Continued)*

#### *Property investment (Continued)*

The Group would intensify its investment in real property market, especially in PRC. On 14 June 2013, the Group entered into 2 memoranda of understanding with Estate Fortune Limited and Bliss Zone Limited for its proposed investment in Yixing Modern Life Plaza project, Lianyungang Port Development Zone project and Xi'an Jinxu Forest project. The 2 memoranda of understanding are not legally binding save and except the provisions in relation to the payment of earnest moneys in the respective sums of HK\$30,000,000 and HK\$20,000,000. Particulars thereof are more particularly set out in the announcement of the Company dated 14 June 2013. If the transactions contemplated thereunder shall materialize, the Group will allocate more substantive resources in the segment. The Directors are optimistic with the future of property investment market and will continue to explore attractive investment opportunity to strengthen the Group's business in real property market.

#### *Food and beverages*

The Group operates Golden Island Bird's Nest (Chiu Chau) Restaurant at Jaffe Road, Hong Kong and a wine bar and restaurant known as 珠海市紫御軒酒業有限公司 (Zhuhaiishi Ziyuxuan Wine Company Limited\*) in Zhuhai, PRC. Owing to high operating costs and keen competition in the industry, it is within the Directors' expectation that the operation of the restaurant shall remain challenging. For the year ended 31 March 2013, this business contributed a turnover of HK\$4 million and incurred a loss of HK\$6 million.

#### *Sub-leasing business*

On 27 May 2011, the Company entered into an agreement with HaoRan Cultural Development Limited pursuant to which the Company has acquired the entire issued capital of BoRen Cultural Development Limited ("BoRen"). Particulars of the transaction were announced on 27 May 2011. During the period under review, the sub-leasing business recorded a turnover and a loss of approximately HK\$75 million and HK\$1 million respectively.

BoRen holds indirect interests in a group of companies principally engaged in leasing of properties and facilities in Nanjing. The Company will receive compensation payment if the profit guarantee offered by the vendor and the guarantor under the agreement for the three financial years ended 31 December 2015 shall be less than RMB75 million. The compensation payment is, however, only payable if the Company shall procure advance not less than RMB50 million to the group companies for each of the three financial years (totally RMB150 million).

The Company has not so far made any advance to the group companies under the agreement with the vendor as the Company would like to focus its resources on investments which offer better prospects and return. The Company would be required to make the first advance in September this year under the agreement.

# Management Discussion and Analysis

## **BUSINESS REVIEW AND OUTLOOK (Continued)**

### **Financial Review (Continued)**

#### *Outlook*

During the year, the Group settled the dispute with CCDDT following the conclusion of Arbitration Proceeding and increased the investment notably in licence fee collection business in PRC. The Directors are confident of the business potential in the intellectual property enforcement services and collection of copyright fees in PRC. The overall license fee collection business will gradually yield income to the Group.

Due to the adjustment of investment strategies, the Group disposed of several investment properties and Dynasty Hotel in Zhaoqing. These disposal brought in positive cash flow and allowed the Group to reallocate the financial resources in other investment opportunities which may generate a better return. The Directors will continue to explore other potential investment opportunities so as to broaden the business horizon of the Company and the Directors do not rule out the possibility of making further investment in property market and hotel business in the foreseeable future if attractive investment opportunity arises.

Notwithstanding that net current liabilities of HK\$7.4 million were recorded for the year ended 31 March 2013, the Group has a strong financial backup on strength of a net asset value of HK\$772 million. The liquidity of the Group will be substantially improved upon receipt of the remaining balance of the sale proceeds generated from the disposal of Wellrich. The management will continue to look for suitable investment opportunities for the Group.

## Directors' Report

The Directors of the Company present their report together with the audited financial statements of the Company and its subsidiaries for the year ended 31 March 2013.

### PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 22 to the financial statements.

An analysis of the Group's performance for the year by business segment is set out in note 6 to the financial statements.

### RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2013 are set out in the consolidated statement of comprehensive income on pages 36 and 37.

The Directors do not recommend the payment of any dividend in respect of the year ended 31 March 2013. Capital will be reserved for the expansion of the Group's business and to capture investment opportunities arising in the future.

### FIXED ASSETS

Details of movements in fixed assets of the Group and the Company during the year are set out in notes 17 to 19 to the financial statements.

### SHARE CAPITAL

Details of movement in the share capital of the Company are set out in note 39 to the financial statements.

### RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on pages 41 and 42 and note 40 to the financial statements respectively.

### DISTRIBUTABLE RESERVES

Details of the distributable reserves of the Company as at 31 March 2013 are set out in note 40 to the financial statements.

### PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws ("Bye-laws") and there is no restriction against such rights under the laws of Bermuda.

## Directors' Report

### FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 3.

### CHARITABLE DONATIONS

The Company made charitable donations of approximately HK\$100,000 during the year under review (2012: 200,000).

### RETIREMENT BENEFIT SCHEMES

Details of the retirement benefit schemes are set out in note 4(r) to the financial statements.

### SHARE OPTION SCHEME

Under the share option scheme of the Company (the "Scheme"), the Directors may grant options to eligible person, including employees and Directors of the Group to subscribe for shares of the Company. Details of the Scheme, including grant and lapse of options, are disclosed in note 41 to the financial statements.

### DIRECTORS AND SENIOR MANAGEMENT

The Directors during the year and up to date of this report are as follows:

Cheng Yang (*Chairman and Chief Executive Officer*)

Zheng Yuchun

Liu Yu Mo (*Resigned on 3 September 2012*)

Li Weipeng

Lei Lei (*Appointed on 3 September 2012*)

Tong Jingguo

Yang Rusheng

So Tat Keung

Pursuant to bye-law 86(2) of the Bye-laws, Ms. Lei Lei will hold office until the forthcoming annual general meeting and, being eligible, will offer herself for re-election. In accordance with bye-law 87(2) of the Bye-laws, Mr. So Tat Keung and Mr. Yang Rusheng shall retire at the annual general meeting and, being eligible, offer themselves for re-election at the annual general meeting.

### Biographical details of Directors and senior management

#### *Executive Directors*

Mr. Cheng Yang, aged 49, is an executive Director, the Chairman and the Chief Executive Officer of the Company. He has more than 10 years of experience in entertainment and media business. Mr. Cheng is the founder and a director of Cheng Films and Video Production Limited (a company incorporated in Hong Kong), which produces and distributes films and television drama series in Greater China. He is also the Chairman, an executive director and the chief executive officer of China Media and Films Holdings Limited (formerly known as KH Investment Holdings Limited) (Stock code: 8172), a company listed on the GEM Board of The Stock Exchange. Mr. Cheng joined the Company in April 2010.

## Directors' Report

### DIRECTORS AND SENIOR MANAGEMENT (Continued)

#### Biographical details of Directors and senior management (Continued)

##### *Executive Directors (Continued)*

Mr. Zheng Yuchun, aged 47, is an executive Director and the Deputy Chief Executive Officer of the Company. He has over 10 years of experience in corporate management and investment. Prior to joining the Company, he was engaged in the functions of analysis, investment and management in several investment banks and large enterprises in mainland China and Hong Kong, including senior vice president and chief financial officer of Sun Media Investment Holdings Ltd and chief executive officer of Observer Star (HK) Co. Ltd and Star Newspapers Co. Ltd. Mr. Zheng was an independent director of Shenzhen Tongde (Group) Company Ltd (its shares are listed on the Shenzhen Stock Exchange) from August 2004 to November 2009. Mr. Zheng graduated from the department of physics of Peking University in 1989 with a bachelor degree in science, and graduated from the school of management of Harbin Institute of Technology in 1999 with a master degree in business administration. He also graduated from the Faculty of Economics and Finance of the University of Hong Kong in 2004 and obtained a doctor's degree in philosophy. Mr. Zheng is a member of the CFA Institute and a member of the Hong Kong Society of Financial Analysts. Mr. Zheng joined the Company in September 2010.

Ms. Lei Lei, aged 50, is an executive Director and the Deputy Chief Executive Officer of the Company. She has been an executive director of Golden Island (Management) Limited and Witty Idea Finance Company Limited, both are wholly owned subsidiaries of the Company, since June 2012 and other subsidiaries of the Company since July 2012. She has more than 16 years of experience in business management. In early dates she taught at Chongqing University of Posts and Telecommunications, and had served as president of Hainan Bojin Cultural Investment Company Ltd., and the chief executive officer of Sunp Canada Inc. (which publishes "Health Times" Ottawa edition). Ms. Lei graduated from Chongqing University of Posts and Telecommunications in 1985 with a bachelor's degree in engineering, and received a master of philosophy degree in 1988 from Shaanxi Normal University. Ms. Lei joined the Company on 3 September 2012.

Mr. Li Weipeng, aged 55, is an executive Director of the Company. He had been the deputy director and director of foreign exchange management office of People's Bank in Yantai, deputy director in the state administration of foreign exchange business of Port Operations in Qingdao. During the period from June 1994 to July 2007, Mr. Li served as president in Yantai Branch, vice president in Chongqing Branch and president in Shanghai Pudong Branch of CITIC Bank (its shares are listed on the Stock Exchange and Shanghai Stock Exchange); and served as director of Shanghai Hong Yang Culture Media. He was an executive director of Shangdong International Finance Institute; a director of Chongqing Finance Institute and a director of Pudong Financial Promotion Association. Mr. Li graduated from Tianjin University in December 1993 with a master degree in business administration. Mr. Li joined the Company in October 2010.

## Directors' Report

### DIRECTORS AND SENIOR MANAGEMENT (Continued)

#### Biographical details of Directors and senior management (Continued)

##### *Independent non-executive Directors*

Mr. Tong Jingguo, aged 41, holds a bachelor degree in engineering and a master degree in business administration from Xian Jiaotong University and Fudan University. Mr. Tong joined the Company in June 2010. During the period from October 2002 to March 2004, he was the President of Zhuhai Gaoling Information Technology Co., Ltd. In 2004, Mr. Tong is also the founder of Shenzhen Huo King Management Consulting Co., Ltd.

Mr. Yang Rusheng, aged 45, has 18 years of experience in finance, audit and tax. Mr. Yang worked in the financial department of Shenzhen Construction Industry (Group) Co. from July 1993 to October 1994. Thereafter, he had worked in various CPA firms in PRC, including, as a manager and senior manager in Shenzhen Yongming CPA firm, a director in Shenzhen Guangsheng CPA firm and Shenzhen Youxin CPA firm and a partner of Wanlong Asia CPA Co., Ltd and a director of its Shenzhen Branch. Since October 2009, he has been a partner and vice-president of Crowe Horwath China Certified Public Accountants Co., Ltd. and a director of its Shenzhen Branch. His clients include corporation, public listed companies, state-owned enterprises and financial institutions. Mr. Yang was a member of Shenzhen Certified Public Accountants Ethic Committee and Shenzhen Finance Bureau Certified Public Accountant Responsibility Judge Committee. He was a vice-president of Institute of Shenzhen Certified Public Accountants. Currently, he is a director of the Guangdong Provincial Institute of Certified Public Accountants, an executive director of Shenzhen Certified Tax Agents Association and a director of The China Certified Tax Agents Association. Mr. Yang graduated from Jinan University in 1993 with a master degree in economics. He is a Chinese Certified Public Accountant and Chinese Certified Tax Agent in PRC. Mr. Yang was an independent director of public listed companies, namely Shenzhen Coship Electronics Co., Ltd. and Shenzhen Tianjian (Group) Co., Ltd. Currently Mr. Yang is an independent director of a public listed company, Shenzhen SEG Co., Ltd, and an independent director of a public company, Ping An Bank Co. Ltd. Mr. Yang joined the Company in October 2010.

Mr. So Tat Keung, aged 57, is a solicitor practicing in Hong Kong and a notary public in Hong Kong. Prior to working as a solicitor, he had worked in the construction industry in government departments and private companies from 1978 to 1986. Mr. So was admitted as a solicitor in Hong Kong in 1988. Currently he is a consultant in Paul C. W. Tse & Co. Mr. So is a degree holder of bachelor of science in civil engineering from University of Hong Kong and bachelor of law from University of London. He was admitted as a member of The Institution of Civil Engineers in the United Kingdom in 1982 and a member of the Hong Kong Institution of Engineers in 1985. Mr. So joined the Company in October 2010.

The Company has received annual confirmations of independence from each of the independent non-executive Directors in accordance with Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), and the Company considers them to be independent.

## Directors' Report

### DIRECTORS AND SENIOR MANAGEMENT (Continued)

#### Biographical details of Directors and senior management (Continued)

##### *Senior management*

Mr. Jin Lei, aged 50, is a vice president of the Company responsible for the cultural property business of the Group. Mr. Jin joined the Company in March 2011 and has extensive experience in real estate development. Prior to joining the Company, Mr. Jin worked at Jiangxi Bureau Limited as general manager. He graduated from Hunan University in 1984 with a bachelor degree in electrical engineering and obtained an EMBA degree in 2004 from Sun Yat-sen University.

Mr. Kan Yisong, aged 40, is a vice president of the Company responsible for the advertising and exhibition business of the Group. Mr. Kan was also an executive director of CMF from 5 March 2012 to 25 May 2012. He joined the Company in May 2011 and has extensive experience in exhibition and advertising business. Prior to joining the Company, Mr. Kan was a director and a general manager of a subsidiary of China Resources (Holdings) Company Limited ("China Resources"). Mr. Kan has a bachelor degree in engineering from the Xian Jiaotong University and a master degree in business administration from the Hong Kong Polytechnic University.

Mr. Yu Wai Chun, aged 40, is the chief financial officer of the Company. Mr. Yu holds a master degree in business administration in international business from the City University Business School in the United Kingdom and a bachelor degree in accountancy from the Hong Kong Polytechnic University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Yu joined the Company in July 2011 and has extensive experience in management, auditing and accounting.

Mr. Chan Wai, aged 43, is the company secretary and an authorized representative of the Company. Mr Chan holds a master degree in Professional Accounting awarded from Hong Kong Polytechnic University. He is a member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and Institute of Chartered Accountants in England & Wales. Mr Chan has over 19 years in accounting and financial management experiences. Mr. Chan joined the Company in August 2012.

#### **Directors' service contracts**

None of the Directors has service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

#### **Directors' interests in contracts**

No contracts of significance in relation to the Group's business to which the Company, its subsidiaries or its holding company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## Directors' Report

### DIRECTORS AND SENIOR MANAGEMENT (Continued)

#### Directors' interests in equity or debt securities

As at 31 March 2013, the interests of the Directors and chief executives of the Company in the share capital of the Company as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

Name	Number of shares	Nature of interest	Percentage of shareholding
Cheng Yang	89,349,000	(Note 1)	14.92
Zheng Yuchun	1,750,000	Personal (Note 2)	0.29

Notes:

- 89,300,000 shares were owned by Mr. Cheng Yang personally and 49,000 shares were owned by his wife.
- This relates to the options granted under the share option scheme of the Company to Mr. Zheng Yuchun to subscribe for (i) 600,000 shares from 1 October 2010 to 28 July 2020; (ii) 600,000 shares from 1 July 2011 to 28 July 2020; and (iii) 550,000 shares from 1 July 2012 to 28 July 2020, all at the exercise price of HK\$5.24 per share.

Save as disclosed herein, as at 31 March 2013, none of the Directors or chief executives of the Company had any interest or short position in the 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 required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### SUBSTANTIAL SHAREHOLDERS

As at 31 March 2013, other than the interests of a Director and the chief executive of the Company disclosed in the paragraph headed "Directors' interests in equity or debt securities" above, according to the register of interests required to be kept by the Company under section 336 of the SFO, the following persons had interests in the shares or underlying shares of the Company:

Name	Number of shares	Nature of interest	Percentage of shareholding
China Resources (Holdings) Company Limited	66,666,666	Interest of controlled corporation	11.13
China Resources Co., Limited	66,666,666	Interest of controlled corporation	11.13
China Resources National Corporation	66,666,666	Interest of controlled corporation	11.13
Commotra Company Limited	66,666,666	Beneficial owner	11.13
CRC Bluesky Limited	66,666,666	Interest of controlled corporation	11.13



## Directors' Report

### **SUBSTANTIAL SHAREHOLDERS (Continued)**

Save as disclosed above, as at 31 March 2013, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

### **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.

### **MAJOR CUSTOMERS AND SUPPLIERS**

During the year, the aggregated sales attributable to the Group's five largest customers accounted for approximately 9% while the largest customer accounted for approximately 3% of its total turnover.

During the year, the aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 73% while the largest supplier accounted for approximately 44% of its total purchases.

None of the Directors, their associates, or any shareholder (which to the knowledge of the Directors owned more than 5% of the Company's issued share capital) had an interest in the major suppliers or customers noted above.

### **CONNECTED TRANSACTIONS**

1. During the year, the Group entered into the following non-exempted connected transactions under Rule 14A.31 of the Listing Rules:
  - (a) On 30 April 2012, the Group entered into 2 agreements for the acquisition from Long Sincere International Limited ("Long Sincere") and Rise Jumbo Limited ("Rise Jumbo") of a total amount of 8.47% of the issued share capital of, and the benefit of 50% of loan due from Welly Champ for an aggregate consideration of HK\$18 million in cash. Long Sincere is a company wholly owned by Wang Wei, a director of Welly Champ and Well Allied (a non-wholly owned subsidiary of the Group). Li Bin, a director of Welly Champ and Golden Island Catering Group Company Limited, a wholly-owned subsidiary of the Company, has 50% interest in Rise Jumbo. The acquisition agreement with Long Sincere was completed on 30 April 2012. The Company entered into a supplemental agreement with Rise Jumbo and Li Bin on 9 May 2012 to the effect that the completion of the acquisition should take place in two phases: (i) the first of which took place on 10 May 2012 in respect of 4.45 shares of US\$1 each of Welly Champ and HK\$2,633,867 of the loan for the consideration of HK\$4 million; and (ii) the second of which took place on 25 April 2013 in respect of 5.55 shares of US\$1 each of Welly Champ and the balance of the loan for the consideration of HK\$5 million.

## Directors' Report

### CONNECTED TRANSACTIONS (Continued)

#### 1. (Continued)

- (b) On 21 September 2012, the Group entered into a conditional acquisition agreement with Ms Lau Wang Tai, Wendy and Mr. Tsang Yat Loi to acquire the entire issued share capital of Media Sound for the consideration of HK\$55,896,400. Media Sound is a substantial shareholder of Song Labs Company Limited ("Song Labs"), a non-wholly owned subsidiary of the Company. On 21 November 2012, the Group entered into a deed of undertaking ("Deed of Undertaking") with Ms Lau to indemnify the debt of Media Sound in the amount of RMB3 million (equivalent to HK\$3,705,900) owed to independent third parties. The consideration was satisfied by cash of HK\$18,705,900 (including HK\$15,000,000 paid upon signing of agreement and RMB3 million settled in accordance to the Deed of Undertaking) and the issuance of promissory notes amounted to HK\$37,190,500. Taking into account a discount borrowing rate of 11% per annum, the fair value of the promissory notes was amounted to HK\$33,510,000. The acquisition of Media Sound was completed on 30 January 2013.

On 15 October 2012, Witty Idea Finance Company Limited (as lender), a wholly owned subsidiary of the Company and Media Sound (as borrower) entered into a supplemental agreement to extend the repayment date of a loan in the principal amount of HK\$30 million with an interest rate of 5% per annum from 17 October 2012 to 17 April 2013. The loan was advanced to Media Sound on 17 October 2011. As disclosed above, the acquisition of the entire issued share capital of Media Sound was completed on 30 January 2013.

2. The following tenancy agreements between two subsidiaries of China Resources, a substantial shareholder of the Company, as landlords and the Group as tenant (being non-exempted continuing connected transactions under Rule 14A.33 of the Listing Rules) were entered into/subsisted during the year ended 31 March 2013:

#### (a) *tenancy agreement dated 8 September 2010*

Landlord:	China Resources Property Management Limited ("CR Property"), a subsidiary of China Resources
Tenant:	Golden Island Catering Group Company Limited ("Golden Island"), a wholly-owned subsidiary of the Company
Property:	Rooms 2501-05, 25th Floor, China Resources Building ("China Resources Building"), No. 26 Harbour Road, Wan Chai, Hong Kong
Term:	16 November 2010 to 15 November 2013
Rent:	HK\$311,670 per month (exclusive of rates and management fee)
Management fee:	HK\$64,411.80 per month

## Directors' Report

### CONNECTED TRANSACTIONS (Continued)

#### 2. (Continued)

##### (b) *tenancy agreement dated 30 March 2011*

Landlord:	CR Property
Tenant:	Golden Island
Property:	Rooms 2506-10, 25th Floor, China Resources Building
Term:	1 April 2011 to 31 March 2014
Rent:	HK\$363,615 per month (exclusive of rates and management fee)
Management fee:	HK\$64,411.80 per month

##### (c) *tenancy agreement dated 8 October 2009 (as amended on 29 March 2011 and supplemented on 16 September 2011 and terminated on 31 May 2013)*

Landlord:	CR Property
Tenant:	China Resources Advertising & Exhibition Company Limited ("CR Advertising"), a wholly-owned subsidiary of the Company
Property:	Exhibition Hall, 3rd and 4th Floors, Lower Block, China Resources Building
Term:	14 September 2009 to 30 September 2011, and thereafter on monthly basis
Rent:	Free of rent since 1 January 2011
Management fee:	Free of management fee from 1 January 2011 to 30 September 2011 (subject to payment of air-conditioning charges totalling HK\$62,181.26), and thereafter at HK\$70,000 per month

## Directors' Report

### CONNECTED TRANSACTIONS (Continued)

#### 2. (Continued)

(d) *Four licence agreements dated 28 June 2012*

Landlord:	CR Property
Tenant:	Golden Island and Wellrich (a wholly owned subsidiary of the Company)
Property:	Four car parks at China Resources Building
Term:	1 July 2012 to 30 June 2013
Rent:	HK\$3,700 each per month

(e) *Signboard at China Resources Building (no written contract and terminated on 31 May 2013)*

Landlord:	CR Property
Tenant:	CR Advertising
Property:	China Resources Building
Management fee:	HK\$1,240 per month

The independent non-executive Directors of the Company have reviewed the continuing connected transactions and confirm that the transactions have been entered into:

1. in the ordinary and usual course of business of the Group;
2. either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
3. in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The board of Directors (the "Board") of the Company would state that BDO Limited, the auditor of the Company, has confirmed the matters stated in Rule 14A.38 of the Listing Rules relating to the continuing connected transactions.

## Directors' Report

### CONNECTED TRANSACTIONS (Continued)

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Save as disclosed above, there is no contract of significance between the Group and a controlling shareholder of the Company (as defined in the Listing Rules) or any of its subsidiaries, including for the provision of services to the Group.

### EMOLUMENT POLICY

As at 31 March 2013, the Group employed a total number of 1,144 employees. The Group remunerates its employees based on their performance, experience and prevailing industry practices. The emoluments of the Directors and senior management of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Group periodically reviews its remuneration package in order to attract, motivate and retain its employees. Discretionary bonuses are rewarded to staff and Directors based on the Group's profit and their performance.

The Company adopted a share option scheme mentioned above for the primary purpose of providing incentives or rewards to any Director, employee and other eligible participant who may make contribution to the Group. The Group also provides external training courses for its staff to improve their skill and services.

### FINANCIAL REVIEW

#### Capital Structure

A capital reorganization ("Capital Reorganization") was completed on 16 October 2012 in the following manner (i) every twenty (20) existing shares of HK\$0.05 each in both the issued and unissued share capital of the Company were consolidated ("Share Consolidation") into one (1) consolidated share of HK\$1.00 ("Consolidated Share"); (ii) immediately following the Share Consolidation, the issued share capital of the Company was reduced through a cancellation of (a) any fractional Consolidated Share in the share capital of the Company that may arise as a result of the Share Consolidation; (b) the paid-up capital of the Company to the extent of HK\$0.95 on each of the Consolidated Share so that the nominal value of each issued Consolidated Share was reduced from HK\$1.00 to HK\$0.05 so as to form a new share with nominal value of HK\$0.05 each ("New Share") (the aforesaid capital reduction to be referred to as the "Capital Reduction"); and (c) immediately following the Share Consolidation each unissued Consolidated Share in the authorized but unissued share capital of the Company was subdivided into 20 shares so that the nominal value of each unissued Consolidated Share was reduced from HK\$1.00 to HK\$0.05 each.

Following the Capital Reorganization, the Company has 598,767,047 issued shares of HK\$0.05 each, all fully paid or credited as fully paid. The credit arising from the Capital Reduction amounted to approximately HK\$569 million was used to set off against accumulated losses of the Company.

## Directors' Report

### FINANCIAL REVIEW (Continued)

#### Liquidity and financial resources

The Group finances its operations with internally generated resources. The Group maintains good business relationship with banks and has sufficient banking facilities available for future business development.

As at 31 March 2013, the Group had borrowings of approximately HK\$149 million (2012: HK\$205 million). The gearing ratio of the Group was 19.5% (2012: 22.5%). Such ratio was calculated with reference to the total borrowings (being the sum of bank borrowings, other borrowings and the convertible bonds) over the Company's shareholders' equity.

The Group was able to generate sufficient cash flow from its operations to fulfill its repayment obligations and meet the cash requirements for its day-to-day operations for the year. No financial instrument was used for hedging. The Group was not exposed to any exchange rate risk or any related hedges.

#### Charges

As at 31 March 2013, Mr. Yang Lei (a director of certain subsidiaries of the Company) and a company beneficially owned by Mr. Yang and his spouse respectively provided guarantees for certain bank loans of the Group. Certain assets of Mr. Yang were also pledged to secure bank loans of the Group.

As at 31 March 2013, the Company provided guarantee to Golden Island Catering Group Company Limited, a wholly owned subsidiary of the Company for corporate credit cards limit up to HK\$2,000,000.

Save as disclosed above, the Group did not have any charges on assets as at 31 March 2013.

#### Contingent liabilities

As at 31 March 2013, the Group had no material contingent liabilities.

### REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Details of the remuneration paid by the Group to the Directors of the Company and senior management of the Group for the year ended 31 March 2013 are set out in notes 11 and 45(f) to the financial statements.

### PURCHASE, SALE OR REDEMPTION OF SECURITIES

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the year ended 31 March 2013.

## Directors' Report

### PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of its Directors, not less than 25% of the issued share capital of the Company are held by the public.

### OTHER MATTERS

Details of events after the reporting period are set out in note 51 to the financial statements.

### AUDITOR

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO Limited as auditor of the Company.

On behalf of the Board

**Cheng Yang**

*Chairman*

Hong Kong, 28 June 2013

# Corporate Governance Report

## INTRODUCTION

The Board and the senior management of the Company are committed to establishing good corporate governance practices and procedures. The maintenance of high standard of business ethics and corporate governance practices has always been one of the Group's goals. The Company believes that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture, thereby leading to the enhancement of shareholders' value.

## CORPORATE GOVERNANCE PRACTICES

The corporate governance principles of the Company emphasize a quality Board, sound internal controls, transparency and accountability to all shareholders. By applying rigorous corporate governance practices, the Group believes that its accountability and transparency will be improved thereby instilling confidence to shareholders and the public. Throughout the financial year ended 31 March 2013, the Group has complied with the code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules save for certain deviations, details of which will be explained in the relevant paragraphs in this report. The Board has, since the amendments to the Listing Rules regarding corporate governance practices were first proposed by the Stock Exchange, continued to monitor and review the Group's progress in respect of corporate governance practices to ensure compliance. Meetings were held throughout the year and where appropriate, circulars and other guidance notes were issued to Directors and senior management of the Group to ensure awareness to issues regarding corporate governance practices.

## THE BOARD

### Responsibilities

The Board is responsible for the leadership and control of the Company and oversees the Group's business, strategic decisions and performances and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. In practice, the Board takes responsibility for decision making in all major matters of the Company including the approval and monitoring of all policy matters, the setting of objectives, annual budgets and overall strategies, material transaction, appointment of Directors and other significant financial and operational matters. The day-to-day management, administration and operation of the Company are delegated to the senior executives. These responsibilities include the implementation of decisions of the Board, the co-ordination and direction of day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by these senior executives and the Board has the full support of them to discharge its responsibilities. The statement of the auditors of the Company in relation to their reporting responsibilities for the consolidated financial statements is set out in the Independent Auditor's Report on pages 34 to 35 of this annual report.



# Corporate Governance Report

## THE BOARD (Continued)

### Composition

As at 31 March 2013, the Board comprises seven Directors, including four executive Directors, namely, Mr. Cheng Yang (chairman), Mr. Zheng Yuchun, Ms. Lei Lei, Mr. Li Weipeng and three independent non-executive Directors, namely, Mr. Tong Jingguo, Mr. Yang Rusheng and Mr. So Tat Keung.

One of the independent non-executive Directors has appropriate professional qualifications, or accounting or related financial management expertise. The number of independent non-executive Directors is more than one-third of the Board. Biographical details of the Chairman and other Directors are set out in Profiles of Directors on pages 11 to 13.

The presence of three independent non-executive Directors is considered by the Board to be a reasonable balance between executive and non-executive Directors. The Board is of the opinion that such balance can provide adequate checks and balances for safeguarding the interests of shareholders and of the Group. The non-executive Directors provide to the Group with a wide range of expertise and experience so that independent judgement can effectively be exercised as well as ensuring that the interests of all shareholders are taken into account. They are also responsible for participating in Board meetings, dealing with potential conflicts of interest, serving on audit committee, remuneration committee and nomination committee, scrutinizing the Group's performance and reporting. Through their active participation, they provide their valuable skills, expertise and experience to the Board and the committees on which they serve so that the management process can be critically reviewed and controlled.

The Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. All Directors have given sufficient time and attention to the Company's affairs. The Board believes that the ratio of executive to non-executive Directors is reasonable and adequate to provide checks and balances that safeguard the interest of the shareholders and the Company as a whole.

The Board as a whole is responsible for the appointment of new Director and nomination for re-election by shareholders at the annual general meeting of the Company. Under the Company's Bye-laws, the Board may from time to time appoint a Director either to fill a vacancy or as an addition to the Board. Any new Director appointed to fill a casual vacancy shall hold office until the first general meeting after his appointment and shall then be eligible for re-election at the next following annual general meeting. Any new Director appointed by the Board as an addition to the existing Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election.

# Corporate Governance Report

## INDEPENDENCE

The Company has three independent non-executive Directors, at least one of whom has appropriate financial management expertise. The Group has received from each independent non-executive Director an annual confirmation of his independence. The Company considers these Directors to be independent under the guidelines as set out in Rule 3.13 of the Listing Rules.

All independent non-executive Directors are identified as such in all corporate communications containing the names of the Directors. In addition, there is no material relationship between Board members.

## DEVIATION FROM THE CG CODE

Throughout the year ended 31 March 2013, the Company complied with the CG Code as set out in Appendix 14 to the Listing Rules, save and except the following exceptions: CG Code Provisions A.2.1 (division of responsibilities between the chairman and chief executive officer), A.4.1 (term of appointment of non-executive Directors) and A.6.7 (attendance of general meetings by Directors).

### a. Division of responsibilities between the chairman and chief executive officer

Under the CG Code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The roles of the chairman and chief executive officer of the Company have been performed by Mr. Cheng Yang, who is also an executive Director. The Board is of the view that the non-segregation would not result in considerable concentration of power in one person and has the advantage of strong and consistent leadership which is conducive to making and implementing decisions quickly and consistently.

The Board will review the effectiveness of this arrangement from time to time and consider appointing an individual as the chief executive officer of the Company when it thinks appropriate.

### b. Term of appointment of non-executive Directors

Under the CG Code provision A.4.1, all non-executive Directors should be appointed for a specific term, subject to re-election. The term of office for non-executive Directors is subject to retirement from office by rotation and is eligible for re-election in accordance with the provisions of the Company's Bye-laws. At each annual general meeting, one-third of the Directors for the time being, (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. As such, the Company considers that such provisions are sufficient to meet the underlying objective of CG Code.

### c. Attendance of general meetings by Directors

Under the CG Code provision A.6.7, independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Zheng Yuchun, the executive Director, attended the annual general meeting of the Company held on 29 August 2012 and special general meetings of the Company held on 10 July 2012, 16 October 2012 and 29 January 2013 respectively. Ms. Lei Lei, the newly appointed executive Director, attended the special general meeting of the Company held on 16 October 2012 and other Directors were unable to attend the annual general meeting due to personal reasons.

## Corporate Governance Report

### BOARD MEETINGS AND SHAREHOLDERS' MEETINGS

The Board regularly meets in person or through other electronic means of communication at least four times every year to determine the overall strategic direction, objectives and to approve interim results, annual results, or other significant matters. At least 14 days' notice of regular Board meeting are given to all Directors, who are all given an opportunity to attend and include matters in the agenda for discussion. Apart from regular meetings, senior management from time to time provides to the Directors information on activities and development of the business of the Group. The company secretary assists the chairman in preparing agenda for the meetings and ensures that all applicable rules and regulations in connection with the meetings are observed and complied with. The agenda and Board papers are then sent to all Directors at least 3 days prior to the meeting. The company secretary also takes detailed minutes, keeps records of matters discussed and decision resolved at the meetings.

During the year under review, 36 Board meetings were held. Attendance of Board meetings, general meetings and its respective committees by Directors are as follows:

Name of Director	Board Meeting Attended/Eligible to attend	Audit Committee Attended/Eligible to attend	Remuneration Committee Attended/Eligible to attend	Nomination Committee Attended/Eligible to attend	Annual General Meeting	Special General Meeting
<b>Executive Directors</b>						
Mr. Cheng Yang	18/36	0/2	0/2	1/1	0/1	0/3
Mr. Zheng Yuchun	34/36	0/2	0/2	0/1	1/1	3/3
Mr. Liu Yu Mo ( <i>Resigned on 3 September 2012</i> )	15/36	0/2	0/2	0/1	0/1	0/3
Mr. Li Weipeng	21/36	0/2	0/2	0/1	0/1	0/3
Ms. Lei Lei ( <i>Appointed on 3 September 2012</i> )	18/36	0/2	0/2	0/1	0/1	1/3
<b>Independent Non-Executive Directors</b>						
Mr. So Tat Keung	18/36	2/2	2/2	0/1	0/1	0/3
Mr. Yang Rusheng	22/36	1/2	2/2	1/1	0/1	0/3
Mr. Tong Jingguo	20/36	2/2	2/2	1/1	0/1	0/3

## Corporate Governance Report

### **BOARD MEETINGS AND SHAREHOLDERS' MEETINGS (Continued)**

During regular meetings of the Board, the Directors discuss and formulate the overall strategies of the Group, monitor financial performances and discuss the annual and interim results, set annual budgets, as well as discuss and decide on other significant matters. The execution of daily operational matters is delegated to the management of the Group.

The company secretary records the proceedings of each Board meeting in detail by keeping minutes, including the record of all decisions made by the Board together with concerns raised and dissenting views expressed (if any). Draft Board minutes are circulated to all Directors for comment and approval as soon as practicable after the meeting. All minutes are open for inspection at any reasonable time upon request by any Director.

All Directors have access to relevant and timely information at all times as the chairman ensures that the management will supply to the Board and its committees all relevant information in a timely manner. They may make further enquiries if it is necessary to do so.

They also have unrestricted access to the advice and services of the company secretary, who is held responsible for providing Directors with Board papers and related materials and ensuring that proper Board procedures are followed and that all applicable laws and regulations are complied with. If the Directors considered necessary and appropriate, they may retain the service of independent professional advisers at the Group's expense.

In case where a conflict of interest may arise involving a substantial shareholder or a Director, such matter will be discussed in a physical meeting and will not be dealt with by way of written resolutions. Independent non-executive Directors with no conflict of interest will be present at meetings dealing with such conflict issues.

The Board committees, including the audit committee, the remuneration committee and the nomination committee, have all adopted the applicable practices and procedures used in Board meetings for all committee meetings.

The annual general meeting and other general meetings of the Company are the primary forum for communication by the Company with the shareholders and for shareholders' participation. All shareholders are encouraged to attend the general meetings or to appoint proxies to attend and vote at meetings on their behalf if they are unable to attend the meetings.

During the year ended 31 March 2013, apart from the annual general meeting held on 29 August 2012, the Company held special general meetings on 10 July 2012, 16 October 2012 and 29 January 2013 respectively.

# Corporate Governance Report

## TRAINING AND SUPPORT FOR DIRECTORS

All Directors, including independent non-executive Directors, must keep abreast of their collective responsibilities as Directors and of the business of the Group. As such, the Group provides a comprehensive and formal induction to each newly appointed Director upon his/her appointment. Briefings and orientations are provided so as to ensure that new Directors are familiar with the role of the Board, their legal and other duties as a Director as well as the business and governance practices of the Group. Such programmes are tailor made for each Director taking into account their background and expertise.

All Directors (except Mr. Zheng Yuchun) also participated in a briefing session organized by the Group and qualified professionals engaged by the Group, with the purpose to develop and refresh Director's knowledge and skills.

During the year ended 31 March 2013, the Director also participated in the following training:

Name of Director	Type of training
<b>Executive Directors</b>	
Mr. Cheng Yang	A, B
Mr. Zheng Yuchun	A, B
Mr. Liu Yu Mo ( <i>Resigned on 3 September 2012</i> )	A, B
Mr. Li Weipeng	A, B
Ms. Lei Lei ( <i>Appointed on 3 September 2012</i> )	A, B
<b>Independent Non-Executive Directors</b>	
Mr. So Tat Keung	A, B
Mr. Yang Rusheng	A, B
Mr. Tong Jingguo	A, B

A, attending seminars, briefing sessions, conferences and/or forums

B, reading newspapers, journals and updates relating to the economy, general business etc.

Each Director will, upon his/her first appointment and thereafter on a yearly basis, disclose to the Group the number and nature of offices held by such Director in public companies and organizations and other significant commitments.

## Corporate Governance Report

### REMUNERATION COMMITTEE

The remuneration committee was established with specific written terms of reference. As at 31 March 2013, the remuneration committee consists of three independent non-executive Directors, namely, Mr. Tong Jingguo (chairman), Mr. Yang Rusheng and Mr. So Tat Keung.

The remuneration committee is responsible for formulating and making recommendations to the Board regarding the overall remuneration policy, remuneration of Directors and senior management of the Group, share option scheme, bonus structure, provident fund and other compensation-related issues. This committee consults with the chairman on its proposals and recommendations and has access to professional advice if deemed necessary. The remuneration committee is provided with sufficient resources to discharge and perform its duties.

The specific terms of reference of the remuneration committee is posted on the Company's website. The remuneration committee meets at least once a year.

During the year under review, the remuneration committee held 2 meetings to determine the remuneration package for the individual executive Directors and independent non-executive Directors.

### NOMINATION COMMITTEE

A nomination committee was established with specific written terms of reference on 24 January 2013. As at 31 March 2013, the nomination committee consists of one executive Director and two independent non-executive Directors, namely, Mr. Cheng Yang (chairman), Mr. Tong Jingguo and Mr. Yang Rusheng.

The duties of the nomination committee include reviewing the structure, size and composition of the Board annually, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become members of the Board, selecting individuals nominated for directorship, assessing the independence of the independent non-executive Directors and making 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.

The specific terms of reference of the nomination committee is posted on the Company's website. The nomination committee meets at least once a year.

During the year under review, the nomination committee held 1 meeting and all committee members attended the meeting.

## Corporate Governance Report

### AUDIT COMMITTEE

The Company established an audit committee with written terms of reference. Rule 3.21 of the Listing Rules requires that the audit committee must comprise a minimum of three members with a majority of independent non-executive Directors and at least one member must have appropriate professional qualifications or accounting or related financial management expertise. The main duties of the audit committee are as follows:

- (a) To review the financial statements and reports and consider any significant or unusual items raised by the compliance officer or external auditor before submission to the Board.
- (b) To review the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditor.
- (c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

Other duties of the audit committee are set out in its specific terms of reference which is posted on the Company's website. The audit committee is provided with sufficient resources to discharge and perform its duties.

As at 31 March 2013, the audit committee consists of three independent non-executive Directors, namely Mr. Tong Jingguo (chairman), Mr. Yang Rusheng and Mr. So Tat Keung. No member of the audit committee is a former partner of the existing auditing firm of the Company within one year on the date of his ceasing to be a partner or had any financial interest in the auditing firm. The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters with the management team of the Company. During the year, the audit committee held 2 meetings to review the Group's annual report and interim report.

The audit committee has also reviewed the financial reporting and compliance procedures, report on the Company's internal control and risk management review and processes as well as the re-appointment of the external auditor. There is no material uncertainty relating to events and conditions that may cast significant doubt on the Company's ability to continue as a going concern. There is no disagreement between the Board and the audit committee regarding the selection, appointment, resignation or dismissal of external auditor.

The Company's annual report for the year ended 31 March 2013 has been reviewed by the audit committee. The accounts for the year were audited by BDO Limited whose term of office will expire upon the forthcoming annual general meeting. The audit committee has recommended to the Board that BDO Limited be nominated for appointment as the auditor of the Company at the forthcoming annual general meeting.

The company secretary keeps full minutes of all audit committee meetings. In line with practices consistent with Board meetings and other committee meetings, draft and final version of audit committee meeting minutes are circulated to all members of the audit committee for comments, approval and record as soon as practicable after each meeting.

## Corporate Governance Report

### AUDITOR'S REMUNERATION

For the year ended 31 March 2013, the remuneration in respect of audit services provided by the auditors, BDO Limited, amounted to HK\$2,603,000 (2012: HK\$3,010,000). For non-audit services, the fees paid amounted to HK\$915,000 (2012: HK\$720,000).

### CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the year ended 31 March 2013, the Company has adopted a code of conduct regarding securities transactions by Directors ("Code of Conduct") on terms no less than the required standard of dealings as set out in the Model Code. Having made specific enquiries of all Directors, the Company's Directors confirmed they had complied with the required standards of dealings and the Code of Conduct adopted by the Company.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

The Directors are responsible for the preparation of financial statements, which give a true and fair view of the financial position of the Group. The auditor is responsible to form an independent opinion, on the audited financial statements and report the opinion solely to the shareholders of the Company.

### CORPORATE GOVERNANCE FUNCTION

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of Directors and senior management, the Company's policies and practices in compliance with legal and regulatory requirements etc.

During the financial year ended 31 March 2013, the nomination committee were established in January 2013.

### INTERNAL CONTROL

The Board and the audit committee are responsible for maintaining sound and effective internal control systems to safeguard the assets of the Company, shareholders' interests, as well as for reviewing the effectiveness of such systems from time to time. The Board has reviewed the effectiveness of the Group's internal control system, covering financial, operational and compliance controls and risk management functions during the year under review.

In such review, the Board has considered factors such as changes since the last review, incidence of significant control failings and weaknesses identified and effectiveness relating to financial reporting and compliance with the applicable laws and regulations including the Listing Rules.



# Corporate Governance Report

## DELEGATION BY THE BOARD

The Board is responsible for decisions in relation to the overall strategic development of the Group's business. All Directors have formal letters of appointment setting out key terms and conditions of their appointment. Due to the diversity and volume of the Group's business, responsibility in relation to the daily operations and execution of the strategic business plans are delegated to management of the Group.

All committees, namely the audit committee, the remuneration committee and the nomination committee, have specific terms of reference setting out the authorities and responsibilities of the respective committees. All committees are required by their terms of reference to report to the Board in relation to their decisions, findings or recommendations, and in certain specific situations, to seek the Board's approval before taking any actions.

## CORPORATE GOVERNANCE REPORT

The Board review, on a yearly basis, all delegations by the Board to different committees to ensure that such delegations are appropriate and continue to be beneficial to the Company as a whole.

## DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Insurance cover has been taken out for Directors' and Officers' Liability to provide adequate cover, as determined by the Board, in respect of the Board members and senior management of the Company.

## SHAREHOLDERS RELATIONS

The Company is committed to maintaining a high level of transparency and employs a policy of open and timely disclosure of relevant information to its shareholders. The commitment to fair disclosure and comprehensive and transparent reporting of the Company's activities can be reflected in various aspects.

To maintain an on-going dialogue with shareholders, the annual general meeting provides an opportunity for shareholders to exchange views with the Board.

The Deputy Chief Executive Officer organized and attended the annual general meeting in 2012 so as to ensure that shareholders' views were communicated to the Board. A separate resolution was proposed by the chairman in respect of each separate issue at the annual general meeting.

The proceedings of the annual general meeting are reviewed from time to time to ensure that the Company conforms to the best corporate governance practices. The circular in relation to the arrangement of annual general meeting will be circulated to all shareholders at least 20 clear business days prior to the holding of the annual general meeting, in which set out the details of each resolution proposed and other relevant information. At the 2012 annual general meeting, all resolutions were put to vote by poll. Tricor Secretaries Limited, the Company's Hong Kong Branch Share Registrar, was engaged as scrutineer to ensure votes were properly counted. The rights of shareholders and the procedures for demanding a poll on resolutions at general meeting are contained in the Company's Bye-laws. An explanation of the detailed procedures for conducting a poll is provided to the shareholders at the commencement of the meeting. The Chairman answers any questions from shareholders regarding voting by way of a poll. The poll results are published in accordance with the relevant provisions of the Listing Rules.

# Corporate Governance Report

## SHAREHOLDERS RELATIONS (Continued)

Pursuant to the Bye-laws, shareholder(s) 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 of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition and such meeting shall be held within two months after the deposit of such requisition.

If within twenty one days of such deposit the Board fails to proceed to convene such meeting the requisitioners themselves may do so in accordance with the relevant provisions in the Companies Act of Bermuda.

The Company also communicates to its shareholders through its annual and interim reports. The Directors, company secretary or other appropriate members of senior management also respond promptly to inquiries from shareholders and investors.

Shareholders may at any time send their enquiries to the Board in writing through the company secretary to the Company's principal place of business at Rooms 2501-05, 25th Floor, China Resources Building, No. 26 Harbour Road, Wanchai, Hong Kong.

## INVESTOR RELATIONS

The Company is committed to a policy of open and timely disclosure of corporate information to shareholders and investors. The Company updates shareholders on its latest business developments and financial performance through its annual and interim reports and notices, announcements and circulars. The Company's website (<http://www.tricor.com.hk/WebService/000674/>) provides a communication platform to the public and the shareholders.

To strengthen its relationship with investors, the Company regularly meets with analysts and holds interviews with reporters and columnists of the press and other economic journals.

During the year under review, there had been no significant change made to the Company's constitutional documents.

## CONCLUSION

The Company believes that good corporate governance is significant in strengthening investor confidence and attracting investment. The management will devote considerable effort to strengthen and improve the standards of the corporate governance of the Group. Any views and suggestions from the shareholders to promote and improve our transparency are also welcome.

## Independent Auditor's Report



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### To the Shareholders of Culture Landmark Investment Limited

*(incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of Culture Landmark Investment Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 36 to 154, which comprise the consolidated and company statements of financial position as at 31 March 2013, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Directors' responsibility for the consolidated financial statements

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

### Auditor's responsibility

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

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

## Independent Auditor's Report

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

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

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2013 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **BDO Limited**

*Certified Public Accountants*

Alfred Lee

Practising Certificate Number P04960

Hong Kong, 28 June 2013

## Consolidated Statement of Comprehensive Income

For the year ended 31 March 2013

	Notes	2013 HK\$	2012 HK\$
Turnover	7	296,502,446	298,982,929
Other income and gains	8	71,322,071	119,422,274
Costs of inventories		(21,093,075)	(26,678,968)
Depreciation on property, plant and equipment	17	(38,478,592)	(35,601,756)
Amortisation	9	(30,427,544)	(62,698,665)
Impairment losses	9	(28,318,853)	(296,863,322)
Operating lease payments		(47,840,859)	(42,479,622)
Staff costs	10	(90,454,367)	(86,922,835)
Other operating expenses		(186,072,662)	(175,748,480)
Fair value gain on investment properties	18	-	13,207,565
Share of losses of associates	23	(4,251,761)	(8,905,212)
Finance costs	12	(16,559,226)	(11,111,432)
Loss before income tax credit	9	(95,672,422)	(315,397,524)
Income tax credit	13	12,177,858	4,680,828
<b>Loss for the year</b>		<b>(83,494,564)</b>	<b>(310,716,696)</b>
<b>Other comprehensive income</b>			
Exchange differences arising on translating foreign operations		8,125,892	21,805,048
Available-for-sale investments, change in fair value	25	(10,571,573)	(102,176,062)
Available-for-sale investments, reclassify from equity to profit or loss	25	10,571,573	102,176,062
Gain on revaluation of properties	17	2,212,273	351,624
Tax expense related to changes on revaluation of properties	38	(365,025)	(58,018)
Tax credit on disposal of properties		-	15,359,968
Release of foreign exchange reserve upon disposal of jointly-controlled entities		6,189,132	-
Other comprehensive income for the year, net of tax		16,162,272	37,458,622
Total comprehensive income for the year		<b>(67,332,292)</b>	<b>(273,258,074)</b>

# Consolidated Statement of Comprehensive Income

For the year ended 31 March 2013

	<i>Notes</i>	<b>2013</b> <b>HK\$</b>	2012 <i>HK\$</i>
<b>Loss for the year attributable to:</b>			
Owners of the Company		<b>(78,395,277)</b>	(293,520,701)
Non-controlling interests		<b>(5,099,287)</b>	(17,195,995)
		<b>(83,494,564)</b>	(310,716,696)
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the Company		<b>(61,404,818)</b>	(255,956,227)
Non-controlling interests		<b>(5,927,474)</b>	(17,301,847)
		<b>(67,332,292)</b>	(273,258,074)
<b>Loss per share</b>			
	16	<b>2013</b>	2012 (restated)
Basic (HK cents)		<b>(13.09)</b>	(50.33)
Diluted (HK cents)		<b>(13.09)</b>	(50.33)

# Consolidated Statement of Financial Position

As at 31 March 2013

	Notes	2013 HK\$	2012 HK\$
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	17	168,792,296	159,847,706
Investment properties	18	–	82,873,000
Payments for leasehold land held for own use under operating leases	19	185,742,412	200,840,319
Goodwill	20	97,738,930	156,830,935
Intangible assets	21	136,695,872	134,228,952
Interests in associates	23	63,134,384	–
Available-for-sale investments	25	176,857,942	184,637,923
Deferred expenditure	26	3,190,298	4,563,214
Total non-current assets		832,152,134	923,822,049
<b>Current assets</b>			
Convertible loan notes	27	4,449,740	–
Inventories	28	32,125,422	23,995,115
Trade and other receivables	29	151,442,587	210,949,737
Deferred expenditure	26	9,825,808	11,710,428
Amounts due from non-controlling shareholders	30	825,280	4,000
Amounts due from related parties	30	2,953,533	17,538,001
Amount due from an associate	30	7,833	–
Cash and bank balances	31	187,756,090	241,293,743
		389,386,293	505,491,024
Assets classified as held for sale	32	1,083,609	102,075,776
Total current assets		390,469,902	607,566,800
<b>Total assets</b>		<b>1,222,622,036</b>	<b>1,531,388,849</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	33	98,605,883	149,638,532
Amounts due to non-controlling shareholders	30	105,877,403	102,494,172
Amounts due to related parties	30	37,900,742	50,517,012
Bank borrowings	34	102,901,297	100,883,650
Other borrowings	35	46,507,925	19,000,000
Convertible bonds	36	–	74,477,355
Current tax liabilities		5,607,650	12,198,694
		397,400,900	509,209,415
Liabilities associated with assets classified as held for sale	32	545,486	448,581
Total current liabilities		397,946,386	509,657,996
<b>Net current (liabilities)/assets</b>		<b>(7,476,484)</b>	<b>97,908,804</b>
<b>Total assets less current liabilities</b>		<b>824,675,650</b>	<b>1,021,730,853</b>

# Consolidated Statement of Financial Position

As at 31 March 2013

	Notes	2013 HK\$	2012 HK\$
<b>Non-current liabilities</b>			
Bank borrowings	34	–	10,855,768
Provision for long service payments	37	42,373	224,689
Deferred tax liabilities	38	52,232,416	64,317,850
Total non-current liabilities		52,274,789	75,398,307
<b>Total liabilities</b>		<b>450,221,175</b>	585,056,303
<b>NET ASSETS</b>		<b>772,400,861</b>	946,332,546
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital	39	29,938,352	598,767,047
Reserves		736,865,368	289,672,251
Amounts recognised in other comprehensive income and accumulated in equity relating to non-current assets/disposal group classified as held for sale	32	–	25,130,925
		766,803,720	913,570,223
<b>Non-controlling interests</b>		<b>5,597,141</b>	32,762,323
<b>TOTAL EQUITY</b>		<b>772,400,861</b>	946,332,546

On behalf of the Board

**Cheng Yang**  
Chairman

**Lei Lei**  
Deputy Chief Executive Officer



# Statement of Financial Position

As at 31 March 2013

	Notes	2013 HK\$	2012 HK\$
<b>Assets</b>			
<b>Non-current assets</b>			
Interests in subsidiaries	22	468,227,597	403,009,348
<b>Current assets</b>			
Amounts due from subsidiaries	22	874,867,703	797,521,365
Other receivables	29	2,787,733	72,437
Cash and cash equivalents	31	35,869,149	11,033,525
Total current assets		913,524,585	808,627,327
<b>Total assets</b>		<b>1,381,752,182</b>	1,211,636,675
<b>Liabilities</b>			
<b>Current liabilities</b>			
Other payables	33	777,958	1,779,320
Amounts due to subsidiaries	22	657,448,855	376,608,216
Bank borrowings	34	-	29,210,909
Other borrowings	35	34,125,098	19,000,000
Convertible bonds	36	-	74,477,355
Total current liabilities		692,351,911	501,075,800
<b>Net current assets</b>		<b>221,172,674</b>	307,551,527
<b>Total assets less current liabilities</b>		<b>689,400,271</b>	710,560,875
<b>NET ASSETS</b>		<b>689,400,271</b>	710,560,875
<b>Capital and reserves</b>			
Share capital	39	29,938,352	598,767,047
Reserves	40	659,461,919	111,793,828
<b>TOTAL EQUITY</b>		<b>689,400,271</b>	710,560,875

On behalf of the Board

**Cheng Yang**  
Chairman

**Lei Lei**  
Deputy Chief Executive Officer

# Consolidated Statement of Changes In Equity

For the year ended 31 March 2013

	Share capital (note 39) HK\$	Share premium (note 40) HK\$	Share HK\$	Other reserve (note 40) HK\$	Contributed surplus (note 40) HK\$	Employee share-based compensation reserve (note 40) HK\$	Other properties revaluation reserve (note 40) HK\$	Convertible bonds reserve (note 40) HK\$	Foreign exchange reserve (note 40) HK\$	Investment revaluation reserve (note 40) HK\$	Accumulated losses (note 40) HK\$	Equity attributable to owners of the Company HK\$	Non- controlling interests HK\$	Total equity HK\$
At 1 April 2012	588,767,047	2,024,217,103	(2,370,305)	28,784,000	5,453,278	29,007,507	3,813,559	79,061,440	(1,853,183,406)	913,570,223	32,762,323	946,332,546		
Loss for the year	-	-	-	-	-	-	-	-	-	-	(78,395,277)	(78,395,277)	(5,099,287)	(83,494,564)
Exchange differences on translating foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Available-for-sale investments, change in fair value (note 25)	-	-	-	-	-	-	-	-	8,954,079	-	-	8,954,079	(828,187)	8,125,892
Available-for-sale investments, reclassify from equity to profit or loss (note 25)	-	-	-	-	-	-	-	-	-	(10,571,573)	-	(10,571,573)	-	(10,571,573)
Gain on revaluation of properties (note 17)	-	-	-	-	-	-	2,212,273	-	-	10,571,573	-	10,571,573	-	10,571,573
Tax expenses related to changes on revaluation of properties (note 38)	-	-	-	-	-	-	(665,025)	-	-	-	-	(665,025)	-	(665,025)
Release of other properties revaluation reserve upon disposal of properties	-	-	-	-	-	(25,130,925)	-	-	-	-	25,130,925	-	-	-
Release of foreign exchange reserve upon disposal of jointly-controlled entities	-	-	-	-	-	-	-	-	6,189,132	-	-	6,189,132	-	6,189,132
Total comprehensive income	-	-	-	-	-	(23,283,677)	-	15,143,211	-	-	(53,264,352)	(61,404,818)	(5,927,474)	(67,332,292)
Equity-settled share-based transactions (note 41)	-	-	-	-	244,722	-	-	-	-	-	-	244,722	-	244,722
Acquisition of subsidiaries (note 42(a))	-	-	-	-	-	-	-	-	-	-	-	-	17,218,580	17,218,580
Acquisition of additional interests in subsidiaries (note 44(a), (b))	-	-	-	(85,606,407)	-	-	-	-	-	-	-	(85,606,407)	(2,509,226)	(88,115,633)
Disposal of interests in a subsidiary (note 43(b))	-	-	-	-	-	-	-	-	-	-	-	-	(35,947,062)	(35,947,062)
Capital reorganisation (note 39(a)(i))	(568,828,695)	-	-	-	-	-	-	-	-	-	568,828,695	-	-	-
Redemption of convertible bonds (note 36)	-	-	-	-	-	-	(3,813,559)	-	-	-	3,813,559	-	-	-
At 31 March 2013	29,938,352	2,024,217,103	(87,976,712)	28,784,000	5,698,000	5,723,830	-	94,204,651	(1,333,785,504)	766,803,720	5,597,141	772,400,861		

# Consolidated Statement of Changes In Equity

For the year ended 31 March 2013

	Share capital (note 39) HK\$	Share premium (note 40) HK\$	Other reserve (note 40) HK\$	Contributed surplus (note 40) HK\$	Employee share-based compensation reserve (note 40) HK\$	Other properties revaluation reserve (note 40) HK\$	Convertible bonds reserve (note 40) HK\$	Foreign exchange reserve (note 40) HK\$	Investment revaluation reserve (note 40) HK\$	Accumulated losses (note 40) HK\$	Equity attributable to owners of the Company HK\$	Non-controlling interests HK\$	Total equity HK\$
At 1 April 2011	511,091,570	1,825,865,591	(2,370,305)	28,784,000	3,952,277	149,652,642	-	57,150,540	-	(1,696,294,128)	877,772,187	11,369,197	889,141,384
Loss for the year	-	-	-	-	-	-	-	-	-	(293,520,701)	(293,520,701)	(17,195,995)	(310,716,696)
Exchange differences on translating foreign operations	-	-	-	-	-	-	-	21,910,900	-	-	21,910,900	(105,852)	21,805,048
Available-for-sale investments, change in fair value (note 25)	-	-	-	-	-	-	-	-	(102,176,062)	-	(102,176,062)	-	(102,176,062)
Available-for-sale investments, reclassify from equity to profit or loss (note 25)	-	-	-	-	-	-	-	-	102,176,062	-	102,176,062	-	102,176,062
Gain on revaluation of properties (note 17)	-	-	-	-	-	351,624	-	-	-	-	351,624	-	351,624
Tax expense related to changes on revaluation of properties (note 38)	-	-	-	-	-	(58,018)	-	-	-	-	(58,018)	-	(58,018)
Release of other properties revaluation reserve, upon disposal of properties	-	-	-	-	-	(136,298,709)	-	-	-	136,298,709	-	-	-
Tax credit on disposal of properties	-	-	-	-	-	15,359,968	-	-	-	-	15,359,968	-	15,359,968
Total comprehensive income	-	-	-	-	-	(120,645,135)	-	21,910,900	-	(157,221,992)	(255,956,227)	(17,301,847)	(273,258,074)
Subscription of new ordinary shares (note 42(e))	20,833,333	29,166,667	-	-	-	-	-	-	-	-	50,000,000	-	50,000,000
Issuance of ordinary shares for acquisition of subsidiaries (note 42(c), (e))	66,842,144	169,244,845	-	-	-	-	-	-	-	-	236,086,989	-	236,086,989
Issuance of convertible bonds (note 36)	-	-	-	-	-	-	3,813,559	-	-	-	3,813,559	-	3,813,559
Equity-settled share-based transactions (note 41)	-	-	-	-	1,501,001	-	-	-	-	-	1,501,001	-	1,501,001
Acquisition of subsidiaries (note 42(b), (c))	-	-	-	-	-	-	-	-	-	-	-	39,944,402	39,944,402
Acquisition of additional interest in a subsidiary (note 42(b))	-	-	115,011	-	-	-	-	-	-	-	115,011	(9,589,655)	(9,474,644)
Disposal of interest in a subsidiary (note 42(b))	-	-	(115,011)	-	-	-	-	-	-	-	(115,011)	9,589,655	9,474,644
Gain on deemed redemption of convertible loan notes (note 42(b))	-	-	-	-	-	-	-	-	-	352,714	352,714	(1,219,429)	(866,715)
At 31 March 2012	588,767,047	2,024,217,103	(2,370,305)	28,784,000	5,453,278	29,007,507	3,813,559	79,061,440	-	(1,853,163,406)	913,570,223	32,762,323	946,332,546

# Consolidated Statement of Cash Flows

For the year ended 31 March 2013

	Notes	2013 HK\$	2012 HK\$
<b>Cash flows from operating activities</b>			
Net cash used in operations	46	(68,352,502)	(161,232,429)
Interest received		3,228,093	4,322,877
Tax paid		(1,740,618)	(3,984,410)
<b>Net cash used in operating activities</b>		<b>(66,865,027)</b>	<b>(160,893,962)</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries, net of cash acquired	42	35,521,615	13,533,914
Disposal of subsidiaries, net of cash disposed	43	47,715,333	–
Release of bank pledged deposit		3,700,830	–
Decrease/(increase) of restricted cash at banks		2,806,501	(28,888,733)
Deposits received from disposal of assets held for sale	33	–	10,836,000
Advance to non-controlling shareholders		(825,280)	–
Advance to related parties		(2,953,533)	–
Purchase of property, plant and equipment		(45,759,798)	(34,812,644)
Investment of films in progress		(15,558,645)	–
Acquisition of associates		–	(36,005,800)
Purchase of available-for-sale investments		–	(188,066,392)
Deferred expenditure paid		(8,048,839)	(27,181,997)
Proceeds from disposal of assets held for sale		95,924,253	223,820,743
<b>Net cash generated from/(used in) investing activities</b>		<b>112,522,437</b>	<b>(66,764,909)</b>
<b>Cash flows from financing activities</b>			
Increase in bank loans		95,719,257	62,100,484
Early redemption of convertible bonds		(79,876,273)	–
Repayment of bank loans		(75,346,469)	(42,312,823)
Interest paid		(12,287,246)	(11,111,432)
Acquisition of additional interests in subsidiaries	44	(23,205,900)	–
Increase in amounts due to related parties		37,900,742	–
Bank overdraft advances (repaid)/received		(29,210,909)	29,210,909
Proceeds from placement of ordinary shares		–	50,000,000
Proceeds from issuance of convertible bonds		–	75,000,000
Increase in other borrowings		12,382,827	19,000,000
Repayment in other borrowings		(19,000,000)	–
<b>Net cash (used in)/generated from financing activities</b>		<b>(92,923,971)</b>	<b>181,887,138</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(47,266,561)</b>	<b>(45,771,733)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>191,204,411</b>	<b>230,461,240</b>
Effect of exchange rate changes on cash and cash equivalents		3,056,984	6,514,904
<b>Cash and cash equivalents at end of year</b>		<b>146,994,834</b>	<b>191,204,411</b>
<b>Analysis of the balances of cash and cash equivalents</b>			
Cash and cash equivalents included in cash and bank balances	31	145,991,082	190,176,622
Cash and cash equivalents included in assets held for sale	32	1,003,752	1,027,789
<b>Cash and cash equivalents at end of year</b>		<b>146,994,834</b>	<b>191,204,411</b>

# Notes to the Financial Statements

31 March 2013

## 1. GENERAL

Culture Landmark Investment Limited (the “Company”) is a public limited company incorporated in Bermuda. Its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its registered office and principal place of business are at Clarendon House, Church Street, Hamilton HM 11, Bermuda and Rooms 2501-2505, 25th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, respectively.

The Company is engaged in investment holding. The principal activities of the subsidiaries are set out in note 22. The Company and its subsidiaries are collectively referred to as the “Group”.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### (a) Adoption of amendments to HKFRSs – first effective on 1 April 2012

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets

Except as explained below, the adoption of these amendments has no material impact on the Group’s financial statements.

#### **Amendments to HKAS 12 – Deferred Tax – Recovery of Underlying Assets**

The amendments to HKAS 12 introduce a rebuttable presumption that an investment property which is stated at fair value under HKAS 40 “Investment Property” is recovered entirely through sale. The measurement of the deferred tax liability or deferred tax asset reflects the tax consequences of recovering the carrying amount of the investment property entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If this presumption is rebutted, the amount of deferred tax is measured based on the expected manner in which the carrying amount of the investment property would be recovered, using the appropriate tax rates enacted or substantially enacted at the reporting date.

In respect of the Group’s investment properties located in the People’s Republic of China (“PRC”), the Group determined that these properties are depreciable and are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time and consequently the presumption in the amended HKAS 12 is rebutted for these properties. As a result, the Group continues to measure the deferred tax relating to these other properties using the tax rate that would apply as a result of recovering their value through use until it was sold (see note 43(a)).

# Notes to the Financial Statements

31 March 2013

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### (b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised 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:

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle <sup>2</sup>
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income <sup>1</sup>
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities <sup>3</sup>
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities <sup>2</sup>
HKFRS 9	Financial Instruments <sup>4</sup>
HKFRS 10	Consolidated Financial Statements <sup>2</sup>
HKFRS 11	Joint Arrangements <sup>2</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>2</sup>
HKFRS 13	Fair Value Measurement <sup>2</sup>
HKAS 27 (2011)	Separate Financial Statements <sup>2</sup>
HKAS 28 (2011)	Investments in Associates and Joint Ventures <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2015

### HKFRSs (Amendments) – Annual Improvements 2009-2011 Cycle

The improvements made amendments to five standards.

#### (i) HKAS 1 Presentation of Financial Statements

The amendments clarify that the requirement to present a third statement of financial position when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items in its financial statements is limited to circumstances where there is a material effect on the information in that statement of financial position. The date of the opening statement of financial position is the beginning of the preceding period and not, as at present, the beginning of the earliest comparative period. The amendments also clarify that, except for disclosures required by HKAS 1.41-44 and HKAS 8, the related notes to the third statement of financial position are not required to be presented. An entity may present additional voluntary comparative information as long as that information is prepared in accordance with HKFRS. This may include one or more statements and not a complete set of financial statements. Related notes are required for each additional statement presented.

# Notes to the Financial Statements

31 March 2013

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### (b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

#### **HKFRSs (Amendments) – Annual Improvements 2009-2011 Cycle (Continued)**

##### *(ii) HKAS 16 Property, Plant and Equipment*

The amendments clarify that items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

##### *(iii) HKAS 32 Financial Instruments: Presentation*

The amendments clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 “Income Taxes”. Depending on the circumstances these items of income tax might be recognised in equity, other comprehensive income or in profit or loss.

##### *(iv) HKAS 34 Interim Financial Reporting*

The amendments clarifies that in interim financial statements, a measure of total assets and liabilities for a particular reportable segment need to be disclosed when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total assets and liabilities for that segment from the amount disclosed in the last annual financial statements.

#### **Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income**

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

#### **Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities**

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity “currently has a legally enforceable right to set off” and when a gross settlement mechanism is considered equivalent to net settlement.

#### **Amendments to HKFRS 7 – Offsetting Financial Assets and Financial Liabilities**

HKFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32.

# Notes to the Financial Statements

31 March 2013

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### (b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

#### ***HKFRS 9 – Financial Instruments***

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

#### ***HKFRS 10 – Consolidated Financial Statements***

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of “de facto” control where an investor can control an investee while holding less than 50% of the investee’s voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implantation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.



# Notes to the Financial Statements

31 March 2013

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### (b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

#### ***HKFRS 11 – Joint Arrangements***

Joint arrangements under HKFRS 11 have the same basic characteristics as joint ventures under HKAS 31. Joint arrangements are classified as either joint operations or joint ventures. Where the Group has rights to the assets and obligations for the liabilities of the joint arrangement, it is regarded as a joint operator and will recognise its interests in the assets, liabilities, income and expenses arising from the joint arrangement. Where the Group has rights to the net assets of the joint arrangement as a whole, it is regarded as having an interest in a joint venture and will apply the equity method of accounting. HKFRS 11 does not allow proportionate consolidation. In an arrangement structured through a separate vehicle, all relevant facts and circumstances should be considered to determine whether the parties to the arrangement have rights to the net assets of the arrangement. Previously, the existence of a separate legal entity was the key factor in determining the existence of a jointly controlled entity under HKAS 31. HKFRS 11 will be applied retrospectively with specific restatement requirements for a joint venture which changes from proportionate consolidation to the equity method and a joint operation which changes from equity method to accounting for assets and liabilities.

#### ***HKFRS 12 – Disclosure of Interests in Other Entities***

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity’s interests in other entities and the effects of those interests on the reporting entity’s financial statements.

#### ***HKFRS 13 – Fair Value Measurement***

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 “Financial Instruments: Disclosures”. HKFRS 13 defines fair value as 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 (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

# Notes to the Financial Statements

31 March 2013

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### (b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

The Group is in the process of making an assessment of the potential impact of these pronouncements and the Directors anticipate that the application of HKFRS 11 will change the classification and subsequent accounting of the jointly controlled entities of the Group which are currently classified as jointly controlled entities under HKAS 31 and have been accounted for using the proportionate consolidation method before these entities are accounted for as subsidiaries (see note 42(a)). Under HKFRS 11, the jointly controlled entities of the Group will be classified as joint ventures and will be accounted for using equity method, resulting in the aggregation of the Group’s proportionate share of the jointly controlled entities’ assets and liabilities and, items of profit or loss and other comprehensive income into a single line item which will be presented in the consolidated statement of financial position and in the consolidated statement of comprehensive income as “interests in joint ventures” and “share profit/loss of joint ventures” respectively. The summarised financial information in respect of the Group’s jointly controlled entities is disclosed in note 24. The Directors so far concluded that they are not yet in a position to quantify the effects of application of other new/revised HKFRSs on the Group’s financial statements.

## 3. BASIS OF PREPARATION

### (a) Statement of compliance

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of 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 (“Listing Rules”).

### (b) Basis of measurement

The financial statements have been prepared under the historical cost basis except for certain properties, convertible loan notes and available-for-sale investments, which are measured at revalued amount or fair value as explained in the accounting policies set out below.

Non-current assets or disposal group classified as assets/liabilities held for sale is stated at the lower of their carrying amounts and fair values less costs to sell.

### (c) Functional and presentation currency

The financial statements are presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company.

# Notes to the Financial Statements

31 March 2013

## 4. SIGNIFICANT ACCOUNTING POLICIES

### (a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 April 2010 (i.e. the date the Group first applied HKFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

# Notes to the Financial Statements

31 March 2013

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (a) Business combination and basis of consolidation (Continued)

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

### (b) Subsidiaries

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

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

### (c) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies. Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

# Notes to the Financial Statements

31 March 2013

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Associates (Continued)

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate and the entire carrying amount of the investment is subject to impairment test, by comparing the carrying amount with its recoverable amount, which is higher of value in use and fair value less costs to sell.

### (d) Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

Interests in jointly controlled entities are included in the financial statements using proportionate consolidation. The Group's share of each of the jointly controlled entity's assets, liabilities, income and expenses are combined line-by-line with similar items of the Group. Any premium paid for an interest in a jointly controlled entity above the fair value of the Group's share of identifiable assets, liabilities and contingent liabilities is dealt with under the Group's accounting policy on goodwill.

Profits and losses arising on transactions between the Group and jointly controlled entities are recognised only to the extent of unrelated investors' interests in the entity. The investor's share in the jointly controlled entity's profits and losses resulting from these transactions is eliminated against the asset or liability of the joint venture arising on the transactions.

### (e) Goodwill and gain on a bargain purchase

Goodwill is initially recognised at cost being the excess of the aggregate of a consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets acquired, liabilities and contingent liabilities assumed.

Where the fair value of identifiable assets acquired, liabilities and contingent liabilities assumed exceed the fair value of consideration paid, the excess, which is the gain on a bargain purchase, is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

# Notes to the Financial Statements

31 March 2013

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (e) Goodwill and gain on a bargain purchase (Continued)

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

### (f) Property, plant and equipment

Leasehold land and buildings, other than hotel property, are stated at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. As the fair value of the land cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, the land portion is accounted for as being held under a finance lease. Fair value is determined by the Directors of the Company based on independent valuations which are performed periodically. The valuations are on the basis of open market value. The Directors of the Company review the carrying value of the leasehold land and buildings and adjustment is made where they consider that there has been a material change. Increases in value arising on revaluation are recognised in other comprehensive income and accumulated in equity under other properties revaluation reserve. Decreases in value arising on revaluation are first offset against increases on earlier valuations in respect of the same property and are thereafter recognised in profit or loss. Any subsequent increases are recognised in profit or loss up to the amount previously charged and thereafter to the other properties revaluation reserve.

Upon disposal of leasehold land and buildings, the relevant portion of the other properties revaluation reserve realised in respect of previous valuations is released from the other properties revaluation reserve to retained earnings.

The hotel property and other items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are recognised as an expense in profit or loss during the financial period in which they are incurred.

## Notes to the Financial Statements

31 March 2013

### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (f) Property, plant and equipment (Continued)

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Hotel buildings in PRC	5 years
Leasehold land and buildings	40 years
Leasehold improvements	Over lease terms of 2-16 years
Wardrobe	1 year
Furniture, fixtures and equipment	3-5 years
Motor vehicles	3-5 years
Yacht	10 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss arising from disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

#### (g) Intangible assets

##### (i) *Acquired intangible assets*

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on a straight-line basis over their useful lives as follows:

Provision of copyright licence fees settlement and collection services	8 years
Provision of intellectual property enforcement services	11 years
Karaoke content management service system ("Karaoke CMS")	8 years
Golf club memberships	12 years, indefinite
Website	3 years
Customer relationship and customer contracts	10 years

Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses.

# Notes to the Financial Statements

31 March 2013

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (g) Intangible assets (Continued)

#### (ii) *Impairment*

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired (note 4(t)).

### (h) Investment properties

Investment property is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

### (i) Payments for leasehold land held for own use under operating leases

Payments for leasehold land held for own use under operating leases represent up-front payments to acquire long-term interests in lessee-occupied properties in PRC. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as an expense.

### (j) Deferred expenditure

Deferred expenditure represents non-refundable payments to copyright holders for their share of operating profits from the co-operation business to collect licence fees from karaoke operators in PRC. The deferred expenditure is initially recognised at cost. Subsequent to initial recognition, deferred expenditure is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for deferred expenditure is provided on a straight-line basis over the co-operation period.

### (k) Leasing

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



# Notes to the Financial Statements

31 March 2013

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (k) Leasing (Continued)

#### *The Group as lessor*

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 straight-line basis over the lease term.

#### *The Group as lessee*

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.

### (l) Financial instruments

#### (i) *Financial assets*

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

#### *Loans and receivables*

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

#### *Available-for-sale investments*

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

# Notes to the Financial Statements

31 March 2013

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (l) Financial instruments (Continued)

#### (ii) *Impairment loss on financial assets*

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

#### *For loans and receivables*

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectable, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### *For available-for-sale investments*

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

An impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

# Notes to the Financial Statements

31 March 2013

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (l) Financial instruments (Continued)

#### (iii) *Financial liabilities*

Financial liabilities, including trade and other payables, amounts due to non-controlling shareholders and related parties, bank borrowings and other borrowing, are initially recognised at fair value, net of directly attributable transaction costs incurred, and are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised within “finance costs” in the consolidated statement of comprehensive income.

Gains or losses recognised in the profit or loss when the liabilities are derecognised as well as through the amortisation process.

#### (iv) *Convertible bonds*

Convertible bonds issued by the Company that contain both the liability and conversion option components are classified separately into their respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company’s own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity as convertible bonds reserve.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds reserve until the embedded option is exercised (in which case the balance stated in convertible bonds reserve will be transferred to share capital and share premium as appropriate). Where the option remains unexercised at the expiry dates, the balance stated in convertible bonds reserve will be released to the accumulated losses. No gain or loss is recognised upon conversion or expiration of the option.

When the Company exercises call option to redeem the convertible bonds which is inherent in the terms of the convertible bonds and has been allocated to the liability component as it is considered to be a closely related embedded derivative, the consideration paid and any transactions costs thereof is allocated to the liability component of the convertible bonds at the date of redemption. The difference between the consideration paid for the redemption of the liability component, and its carrying amount at the date of redemption is recognised in profit or loss when the convertible bonds are redeemed.

# Notes to the Financial Statements

31 March 2013

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (l) Financial instruments (Continued)

#### (v) *Effective interest method*

The effective interest 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.

#### (vi) *Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

#### (vii) *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 HKAS 39.

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

### (m) Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

The results of operations disposed of during the year are included in profit or loss up to the date of disposal.

# Notes to the Financial Statements

31 March 2013

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (n) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

### (o) Revenue recognition

Revenue from licence fee collection business is recognised when services are performed.

Compensation for infringement of music licence is recognised when the right to receive the compensation is established and it is probable that the Group will receive the compensation.

Hotel room revenue is recognised when hotel rooms are occupied.

Revenue from exhibition and related service is recognised when the exhibition is completed and related services are rendered.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Revenue from entertainment services including artist management is recognised when services are rendered.

Revenue from musical works is recognised when the Group's entitlement to such payments has been established which is upon the delivery of the master copy or materials to the customers.

Film distribution fee income is recognised when the master materials have been delivered.

Revenue from restaurants is recognised when food and beverages are sold and services are provided.

Revenue from sale of goods is recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customer.

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

### (p) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

# Notes to the Financial Statements

31 March 2013

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (p) Income taxes (Continued)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

### (q) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which cases, the exchange differences are also recognised in other comprehensive income.

# Notes to the Financial Statements

31 March 2013

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (q) Foreign currency (Continued)

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating, to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in the profit or loss of group entities' separate or individual financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to the profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the foreign exchange reserve.

### (r) Employee benefits

#### (i) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

#### (ii) *Profit-sharing and bonus plans*

The expected costs of profit-sharing and bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for profit-sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

#### (iii) *Termination benefits*

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

# Notes to the Financial Statements

31 March 2013

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (r) Employee benefits (Continued)

#### (iv) *Post-employment benefits*

Retirement benefits to employees are provided through several defined contribution plans.

The Group adopts a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance of Hong Kong for all employees of its subsidiaries operating in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries but subject to a cap in accordance with the statutory requirement and are recognised in profit or loss as they become payable in accordance with the rules of the MPF Scheme.

The Group has recorded provisions for long service payments for employees who had completed the required number of years of service under Hong Kong's Employment Ordinance for whom the Group is obligated to pay long service payment on termination of their employment.

The employees of the Group's subsidiaries that operate in PRC are required to participate in a government-managed retirement benefit schemes. These subsidiaries are required to contribute a fixed cost per employee to the government-managed retirement benefit schemes. The contributions are charged to profit or loss as they become payable.

### (s) Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the employee share-based compensation reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the profit or loss is charged with the fair value of goods or services received unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised. For cash settled share based payments, a liability is recognised at the fair value of the goods or services received.



# Notes to the Financial Statements

31 March 2013

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (t) Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- intangible assets;
- payments for leasehold land held for own use under operating leases;
- investments in subsidiaries, associates and joint ventures, except for those classified as held for sale;
- deferred expenditure; and
- film rights and film in progress.

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation decrease under that HKFRS.

### (u) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### (v) Related parties

- (i) A person or a close member of that person's family is related to the Group if that person:
  - (a) has control or joint control over the Group;
  - (b) has significant influence over the Group; or
  - (c) is a member of key management personnel of the Group or the Company's parent.

# Notes to the Financial Statements

31 March 2013

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (v) Related parties (Continued)

(ii) An entity is related to the Group if any of the following conditions apply:

- (a) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (c) Both entities are joint ventures of the same third party;
- (d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (e) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group;
- (f) The entity is controlled or jointly controlled by a person identified in (a);
- (g) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

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.

### (w) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### (x) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

# Notes to the Financial Statements

31 March 2013

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (y) Film rights and films in progress

#### *Film rights*

Film rights are stated at cost less any provision for impairment losses. Upon the release of the pre-recorded audio visual products and the materials, film rights are amortised at rates calculated to write off the costs in proportion to the expected revenue from exhibition and distribution of audio visual products. Such rates are on a systematic basis, with reference to the projected revenue and the underlying licence periods, and are subject to annual review by the management.

#### *Films in progress*

Films in progress are stated at cost less any provision for impairment losses. Costs include all direct costs associated with the production of films. Provision are made for costs which are in excess of the expected future revenue generated by these films. Costs of films are transferred to film rights upon completion.

At the end of each reporting period, both internal and external market information is considered to assess whether there is any indication that film rights and films in progress are impaired. If any such indication exists, the carrying amount of such assets is assessed and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in profit or loss.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates are evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

### (a) Fair value of investment properties and leasehold land and buildings

The fair value of the investment properties and leasehold land and buildings are determined by independent valuers on an open market value for existing use basis. In making their judgment, consideration has been given to assumptions that are mainly based on market conditions existing at the end of reporting period, by reference to recent market transactions and appropriate capitalisation rates based on an estimation of the rental income. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

## Notes to the Financial Statements

31 March 2013

### 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

#### (b) Useful lives of property, plant and equipment

Management determines the estimated useful lives of the property, plant and equipment. Management determines the hotel building in PRC would be redeveloped after 5 years when there is opportunity. Management will revise depreciation charges when useful lives differ from previous estimates.

#### (c) Impairment test of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

#### (d) Impairment loss on intangible assets

Determining whether an intangible asset is impaired requires an estimation of the future cash flow and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

#### (e) Impairment loss on loans and receivables

The policy for impairment of loans and receivables of the Group is based on the evaluation of collectability and ageing analysis of the loans and receivables and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these loans and receivables, including the current creditworthiness of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required.

#### (f) Impairment loss on deferred expenditure

The carrying amounts of deferred expenditure are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions.

# Notes to the Financial Statements

31 March 2013

## 6. SEGMENT REPORTING

Management determines operating segments based on the reports regularly reviewed by the chief operating decision maker, which is the board of Directors, in assessing performance and allocating resources. The chief operating decision maker considers the business primarily on the basis of the types of services supplied by the Group. The Group is currently organised into seven operating divisions – licence fee collection business, hotel operations, exhibition-related business, property sub-leasing business, entertainment business, property investment and food and beverages.

Principal activities are as follows:

Licence fee collection business	–	Provision of karaoke music product copyright licence fees settlement and collection services and intellectual property enforcement services in respect of karaoke music product copyright in PRC as managed and administered by the China Audio-Video Copyright Association, the sole official recognised national audio-video organisation in PRC
Hotel operations	–	ownership, operations and management of hotel
Exhibition-related business	–	organising all kinds of exhibition events and meeting events
Property sub-leasing business	–	sub-leasing of properties in PRC
Entertainment business	–	provision of artist and talent management and entertainment related business
Property investment	–	leasing of investment properties
Food and beverages	–	sale of food and beverages and restaurant operations

The Group acquired property sub-leasing business and exhibition-related business during the year ended 31 March 2012. Detail descriptions of the businesses are mentioned in note 42(c) and (e).



## Notes to the Financial Statements

31 March 2013

## 6. SEGMENT REPORTING (Continued)

## (a) Information about reportable segment revenue, profit or loss, assets and liabilities and other information (Continued)

	2013							Total HK\$	
	License fee collection business HK\$	Hotel operations HK\$	Exhibition- related business HK\$	Property sub-leasing business HK\$	Entertainment business HK\$	Property investment HK\$	Food and beverages HK\$		Inter- segment elimination HK\$
Impairment loss on trade and other receivables	-	-	-	5,037,349	-	-	-	-	5,037,349
Share of losses of associates	-	-	-	-	4,251,761	-	-	-	4,251,761
Gain on a bargain purchase on acquisition of subsidiaries	36,077,025	-	-	-	-	-	-	-	36,077,025
Gain on step acquisition of jointly controlled entities	5,015,611	-	-	-	-	-	-	-	5,015,611
Gain on disposal of subsidiaries	-	-	-	-	6,482,229	7,415,710	-	-	13,897,939
Gain on disposal of non-current assets held for sale	-	-	-	-	-	5,770,688	-	-	5,770,688
Reportable segment assets	360,943,759	185,277,606	70,548,822	311,300,987	85,039,699	-	38,850,018	-	1,051,960,891
Expenditure for reportable segment non-current assets	12,259,007	130,463	1,738,364	25,343,654	2,289,120	-	3,730,848	-	45,491,456
Reportable segment liabilities	161,699,328	53,033,308	24,701,794	199,911,414	6,464,748	-	1,359,027	-	447,169,619

## Notes to the Financial Statements

31 March 2013

## 6. SEGMENT REPORTING (Continued)

## (a) Information about reportable segment revenue, profit or loss, assets and liabilities and other information (Continued)

	2012							Total HK\$
	License fee collection business HK\$	Hotel operations HK\$	Exhibition- related business HK\$	Property sub-leasing business HK\$	Entertainment business HK\$	Property investment HK\$	Food and beverages HK\$	
<b>Reportable segment revenue</b>								
External sales	73,901,282	71,740,712	81,468,152	54,560,565	9,738,959	5,559,937	2,013,322	298,982,929
Inter-segment sales	-	-	-	-	-	-	633,270	(633,270)
	73,901,282	71,740,712	81,468,152	54,560,565	9,738,959	5,559,937	2,646,592	298,982,929
<b>Reportable segment (loss)/profit before income tax credit</b>	(34,223,936)	(47,084,629)	(113,736,979)	7,025,892	(52,006,256)	112,139,875	(7,156,645)	(135,042,676)
<b>Other segment information</b>								
Interest income	619,037	-	88,166	15,773	146	290	577	723,989
Interest expenses	2,245,098	-	-	6,689,801	79,999	-	-	9,014,898
Depreciation of property, plant and equipment	914,576	20,996,959	108,204	8,202,217	255,287	495,752	395,713	31,368,108
Amortisation of payments for leasehold land held for own use under operating leases	-	4,084,635	-	-	-	-	-	4,084,635
Amortisation of intangible assets	11,640,595	-	2,880,751	-	-	-	116,883	14,638,229
Amortisation of deferred expenditure	43,975,801	-	-	-	-	-	-	43,975,801
Loss on disposal of property, plant and equipment	997,765	162,727	-	389,129	-	-	-	1,549,621
Impairment loss on property, plant and equipment	286,426	1,710,011	-	-	-	-	3,574,558	5,570,995
Impairment loss on payments for leasehold land held for own use under operating leases	-	-	16,233,022	-	-	-	-	16,233,022



## Notes to the Financial Statements

31 March 2013

## 6. SEGMENT REPORTING (Continued)

## (a) Information about reportable segment revenue, profit or loss, assets and liabilities and other information (Continued)

	2012								Total HK\$
	License fee collection business HK\$	Hotel operations HK\$	Exhibition- related business HK\$	Property sub-leasing business HK\$	Entertainment business HK\$	Property investment HK\$	Food and beverages HK\$	Inter-segment elimination HK\$	
Impairment loss on goodwill	-	-	113,045,357	-	24,986,887	-	1,280,000	-	139,612,244
Impairment loss on intangible assets	-	-	6,130,525	-	-	-	-	-	6,130,525
Impairment loss on interest in an associate	-	-	-	-	27,140,474	-	-	-	27,140,474
Share of losses of associates	-	-	-	-	8,905,212	-	-	-	8,905,212
Fair value gain on investment properties	-	-	-	-	-	13,207,565	-	-	13,207,565
Gain on disposal of non-current assets held for sale	-	-	-	-	-	96,570,743	-	-	96,570,743
Gain on step acquisition of available-for-sale investments	-	-	-	-	6,979,802	-	-	-	6,979,802
Gain on step acquisition of associates	-	-	-	-	5,278,168	-	-	-	5,278,168
Reportable segment assets	354,397,705	223,334,054	64,027,135	290,771,683	167,163,511	188,282,544	21,202,195	-	1,309,178,827
Expenditure for reportable segment non-current assets	2,234,424	31,942	59,966	22,288,391	17,900	2,695,529	3,970,271	-	31,298,423
Reportable segment liabilities	169,366,715	40,097,106	21,850,536	180,895,982	15,152,818	26,236,637	4,046,655	-	457,686,449

# Notes to the Financial Statements

31 March 2013

## 6. SEGMENT REPORTING (Continued)

### (b) Reconciliation of reportable segment profit or loss, assets and liabilities

#### Loss before income tax credit

	2013 HK\$	2012 HK\$
Reportable segment loss before income tax credit	(137,177)	(135,042,678)
Unallocated interest income and other income	5,955,194	3,930,914
Unallocated impairment loss on available-for-sale investments	(10,571,573)	(102,176,062)
Unallocated finance costs	(5,002,114)	(2,096,534)
Unallocated staff costs	(22,258,148)	(26,853,185)
Loss on early redemption of convertible bonds	(1,742,037)	–
Unallocated rent, rates and management fee	(13,084,667)	(13,038,096)
Unallocated depreciation of property, plant and equipment	(4,873,037)	(4,233,648)
Unallocated head office and corporate expenses	(43,958,863)	(35,888,235)
<b>Loss before income tax credit</b>	<b>(95,672,422)</b>	<b>(315,397,524)</b>

#### Assets

	2013 HK\$	2012 HK\$
Reportable segment assets	1,051,960,891	1,309,178,827
Available-for-sale investments ( <i>note</i> )	75,318,757	85,890,330
Cash and cash equivalents	44,474,997	16,905,973
Property, plant and equipment	12,329,623	14,705,827
Loan receivables	22,500,000	88,500,000
Unallocated head office and corporate assets	16,037,768	16,207,892
<b>Total assets</b>	<b>1,222,622,036</b>	<b>1,531,388,849</b>

#### Note:

Available-for-sale investments as at 31 March 2012 is reclassified from reportable segment assets under entertainment business to be consistent with current year's presentation.

#### Liabilities

	2013 HK\$	2012 HK\$
Reportable segment liabilities	447,169,619	457,686,449
Bank overdrafts	–	29,210,909
Other borrowings	–	19,000,000
Convertible bonds	–	74,477,355
Unallocated head office and corporate liabilities	3,051,556	4,681,590
<b>Total liabilities</b>	<b>450,221,175</b>	<b>585,056,303</b>

## Notes to the Financial Statements

31 March 2013

### 6. SEGMENT REPORTING (Continued)

#### (c) Geographical information

The Group's operations are mainly located in Hong Kong and PRC.

An analysis of the Group's geographical segments is set out as follows:

	2013		
	Hong Kong HK\$	PRC HK\$	Total HK\$
Turnover (note 1)	14,628,202	281,874,244	296,502,446
Non-current assets other than financial instruments and deferred tax assets	68,154,175	524,005,633	592,159,808
	2012		
	Hong Kong HK\$	PRC HK\$	Total HK\$
Turnover (note 1)	14,711,317	284,271,612	298,982,929
Non-current assets other than financial instruments and deferred tax assets	110,976,627	628,207,499	739,184,126

Notes:

(1) Turnover is attributed to countries on the basis of the customers' location.

# Notes to the Financial Statements

31 March 2013

## 7. TURNOVER

Analysis of the Group's revenue for the year is as follows:

	Group	
	2013 HK\$	2012 HK\$
Revenue from licence fee collection business	<b>64,658,273</b>	73,901,282
Revenue from hotel operations	<b>58,416,246</b>	71,740,712
– Room rental	<b>14,104,682</b>	17,615,170
– Food and beverages	<b>31,744,785</b>	47,390,878
– Rental income from shops	<b>12,566,779</b>	6,734,664
Revenue from exhibition-related services	<b>78,237,303</b>	81,468,152
Gross rental income from property sub-leasing business	<b>75,486,604</b>	54,560,565
Revenue from artist and talent management and entertainment business	<b>11,762,140</b>	9,738,959
Gross rental income from investment properties	<b>4,277,318</b>	5,559,937
Sale of food and beverages	<b>3,664,562</b>	2,013,322
	<b>296,502,446</b>	298,982,929

# Notes to the Financial Statements

31 March 2013

## 8. OTHER INCOME AND GAINS

	Group	
	2013 HK\$	2012 HK\$
Bank interest income	569,606	1,188,669
Loan interest income	2,658,487	3,134,208
Gain on a bargain purchase on acquisition of subsidiaries ( <i>note 42(a)</i> )	36,077,025	–
Gain on step acquisition of jointly controlled entities ( <i>note 42(a)</i> )	5,015,611	–
Gain on disposal of subsidiaries ( <i>note 43(a), (b), (c)</i> )	13,897,939	–
Gain on disposal of non-current assets held for sale	5,770,688	96,570,743
Gain on step acquisition of available-for-sale investments ( <i>note 42(b)</i> )	–	6,979,802
Gain on step acquisition of associates ( <i>note 42(b)</i> )	–	5,278,168
Government grants ( <i>note</i> )	1,235,941	3,715,259
Rental income from an associate	2,960,318	–
Others	3,136,456	2,555,425
	<b>71,322,071</b>	119,422,274

*Note:*

Government grants mainly comprised unconditional subsidies for subsidising the Group's property sub-leasing business.

# Notes to the Financial Statements

31 March 2013

## 9. LOSS BEFORE INCOME TAX CREDIT

Loss before income tax credit is arrived at after charging/(crediting):

	Group	
	2013	2012
	HK\$	HK\$
Amortisation on:		
– payments for leasehold land held for own use under operating leases	<b>4,044,898</b>	4,084,635
– intangible assets	<b>15,076,271</b>	14,638,229
– deferred expenditure	<b>11,306,375</b>	43,975,801
	<b>30,427,544</b>	62,698,665
Direct operating expenses from investment properties that generated rental income	<b>1,585,370</b>	1,870,699
Loss on disposal of property, plant and equipment	<b>101,654</b>	1,549,621
Loss on early redemption of convertible bonds ( <i>note 36</i> )	<b>1,742,037</b>	–
Impairment losses on:		
– property, plant and equipment	<b>915,584</b>	5,570,995
– payments for leasehold land held for own use under operating leases	<b>11,794,347</b>	16,233,022
– goodwill	–	139,612,244
– intangible assets	–	6,130,525
– interest in an associate	–	27,140,474
– available-for-sale investments	<b>10,571,573</b>	102,176,062
– trade and other receivables	<b>5,037,349</b>	–
	<b>28,318,853</b>	296,863,322
Auditor's remuneration	<b>2,603,000</b>	3,465,818

# Notes to the Financial Statements

31 March 2013

## 10. STAFF COSTS

	Group	
	2013 HK\$	2012 HK\$
Staff costs (including Directors) comprise:		
Salaries	75,567,756	70,388,188
Contribution to defined contribution pension plans	12,069,774	11,470,706
Other short-term monetary benefits	2,572,115	3,435,987
Equity-settled share-based payment expense (note 41)	244,722	1,501,001
Provision for long service payments (note 37)	-	126,953
	90,454,367	86,922,835

## 11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

### Directors' emoluments

The aggregate amounts of the Directors' emoluments, disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance and the Listing Rules, are as follows:

2013	Group				Total HK\$
	Fees HK\$	Salaries and other benefits HK\$	Share-based payment expense HK\$	Retirement scheme contributions HK\$	
<b>Executive Directors</b>					
Cheng Yang	-	3,720,600	-	14,500	3,735,100
Zheng Yuchun	-	2,067,000	244,722	14,500	2,326,222
Lei Lei (i)	200,000	1,089,001	-	-	1,289,001
Liu Yu Mo (ii)	-	1,642,700	-	7,000	1,649,700
Li Weipeng	1,440,000	-	-	-	1,440,000
<b>Independent non-executive Directors</b>					
Tong Jingguo	120,000	-	-	-	120,000
Yang Rusheng	120,000	-	-	-	120,000
So Tat Keung	120,000	-	-	-	120,000
	2,000,000	8,519,301	244,722	36,000	10,800,023

# Notes to the Financial Statements

31 March 2013

## 11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

### Directors' emoluments (Continued)

	Fees	Salaries and other benefits	Group	Retirement	Total
			Share-based payment expense	scheme contributions	
2012	HK\$	HK\$	HK\$	HK\$	HK\$
<b>Executive Directors</b>					
Cheng Yang	–	4,293,000	–	12,000	4,305,000
Zheng Yuchun	–	2,544,000	1,501,001	12,000	4,057,001
Liu Yu Mo (ii)	–	3,402,600	–	12,000	3,414,600
Li Weipeng	1,440,000	–	–	–	1,440,000
<b>Independent non-executive Directors</b>					
Tong Jingguo	120,000	–	–	–	120,000
Yang Rusheng	120,000	–	–	–	120,000
So Tat Keung	120,000	–	–	–	120,000
	1,800,000	10,239,600	1,501,001	36,000	13,576,601

No Directors waived their emoluments in respect of the year ended 31 March 2013 (2012: Nil).

Discretionary bonuses were granted based on the performance of individual Directors and were approved by the Company's remuneration committee.

*Notes:*

- (i) The Director was appointed on 3 September 2012.
- (ii) The Director resigned with effect from 3 September 2012.



## Notes to the Financial Statements

31 March 2013

### 11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

#### Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, three (2012: three) were Directors of the Company whose emoluments are included in the above.

The emoluments of the remaining two (2012: two) highest paid individual in 2013 are as follows:

	Group	
	2013 HK\$	2012 HK\$
Basic salaries, housing allowances, other allowances and benefits in kind	3,220,000	3,480,488
Retirement scheme contributions	72,000	60,000
	<b>3,292,000</b>	<b>3,540,488</b>

The emoluments are within the following band:

	Group	
	2013 Number of employees	2012 Number of employees
HK\$1,000,000 to HK\$1,500,000	1	–
HK\$1,500,001 to HK\$2,000,000	1	2

#### Remuneration of senior management

Remuneration of senior management of the Group, including amounts paid to the highest paid employees other than Directors as disclosed above, are within the following bands:

	Group	
	2013 Number of employees	2012 Number of employees
HK\$1,000,000 to HK\$1,500,000	3	1
HK\$1,500,001 to HK\$2,000,000	1	1

# Notes to the Financial Statements

31 March 2013

## 12. FINANCE COSTS

	Group	
	2013 HK\$	2012 HK\$
Interest on bank loans	9,932,046	6,689,801
Effective interest expenses on convertible bonds	3,656,882	3,290,914
Effective interest expenses on promissory notes	615,098	–
Interest on bank overdrafts	181,596	676,955
Interest on other borrowings	1,368,258	387,412
Interest on amounts due to non-controlling shareholders	805,346	66,350
	<b>16,559,226</b>	11,111,432

## 13. INCOME TAX CREDIT

The amount of income tax credit in the consolidated statement of comprehensive income represents:

	Group	
	2013 HK\$	2012 HK\$
Current tax – Hong Kong profits tax – tax for the year	667,195	1,406,616
Current tax – PRC Enterprise Income Tax – tax for the year	(1,552,336)	8,003,881
– over-provision in respect of prior years	(6,711,844)	–
	<b>(8,264,180)</b>	8,003,881
Deferred tax ( <i>note 38</i> ) Derecognised from assets held for sale	(4,580,873)	(4,950,325)
	–	(9,141,000)
	<b>(4,580,873)</b>	(14,091,325)
	<b>(12,177,858)</b>	(4,680,828)

## Notes to the Financial Statements

31 March 2013

### 13. INCOME TAX CREDIT (Continued)

Hong Kong profits tax has been provided for certain subsidiaries within the Group and is calculated at 16.5% (2012: 16.5%) on the estimated assessable profits for the year. No provision for Hong Kong profits tax has been made for other subsidiaries within the Group as those subsidiaries have sufficient tax losses brought forward to offset against the estimated profits for the year on an individual basis.

PRC subsidiaries and jointly controlled entities are subject to PRC Enterprise Income Tax at 25% (2012: 24% to 25%).

The Tenth National People's congress enacted a new Enterprise Income Tax Law ("EIT Law") on 16 March 2007, which provides for a unified income tax rate of 25% to both domestic enterprises and foreign-invested enterprises. The new tax law became effective on 1 January 2008. As a result, the tax rate for domestic enterprises will be reduced to 25%, whereas the tax rate for foreign-invested enterprises that have enjoyed preferential tax treatment shall have five years from the time when the EIT Law takes effect to transition progressively to the legally prescribed tax rate. During this period, an enterprise that previously enjoyed 15% tax rate shall be subject to 18% tax rate for the year 2008, 20% for the year 2009, 22% for the year 2010, 24% for the year 2011, and 25% for the year 2012; an enterprise that previously enjoyed 24% tax rate shall be subject to 25% tax rate starting the year 2008.

The income tax credit for the year can be reconciled to the loss per the consolidated statement of comprehensive income as follows:

	2013 HK\$	2012 HK\$
Loss before income tax credit	<b>(95,672,422)</b>	(315,397,524)
Tax credit calculated at Hong Kong profits tax rate of 16.5% (2012: 16.5%)	<b>(15,785,950)</b>	(52,040,591)
Effect of different tax rates of subsidiaries and jointly controlled entities operating in other jurisdictions	<b>(1,091,416)</b>	(4,158,207)
Tax effect of share of losses of associates	<b>701,541</b>	1,469,360
Tax effect of non-deductible expenses	<b>22,115,283</b>	62,081,343
Tax effect of non-taxable revenue	<b>(31,259,754)</b>	(23,300,688)
Tax effect of tax losses not recognised	<b>19,918,894</b>	21,434,992
Utilisation of tax losses previously not recognised	<b>(64,612)</b>	(1,026,037)
Reversal of previously recognised deferred tax liabilities on disposal of investment properties	-	(9,141,000)
Over-provision in respect of prior years	<b>(6,711,844)</b>	-
Income tax credit	<b>(12,177,858)</b>	(4,680,828)

# Notes to the Financial Statements

31 March 2013

## 14. LOSS ATTRIBUTABLE TO SHAREHOLDERS

Loss attributable to shareholders includes an amount of HK\$21,405,326 (2012: HK\$29,157,410) which has been dealt with in the financial statements of the Company.

## 15. DIVIDENDS

No dividend was paid or proposed in respect of the year ended 31 March 2013, nor has any dividend been proposed since the end of reporting period (2012: Nil).

## 16. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the ordinary equity holders of the Company is based on the following data:

	Group	
	2013 HK\$	2012 HK\$
<b>Loss for the purpose of basic and diluted loss per share</b>		
Loss for the year attributable to owners of the Company	<b>(78,395,277)</b>	(293,520,701)
<b>Number of shares</b>		(restated)
Weighted average number of ordinary shares for the purpose of basic loss per share	<b>598,767,047</b>	583,138,221
Effect of dilutive potential ordinary shares:		
– Share options	–	–
– Convertible bonds	–	–
Weighted average number of ordinary shares for the purpose of diluted loss per share	<b>598,767,047</b>	583,138,221

The weighted average number of ordinary shares in 2012 was restated to reflect the capital reorganisation during the year ended 31 March 2013. Please refer to note 39(a)(i) for details.

There are no dilutive effects on the share options granted, and convertible bonds as they are anti-dilutive.

# Notes to the Financial Statements

31 March 2013

## 17. PROPERTY, PLANT AND EQUIPMENT

### Group

	Hotel buildings in PRC HK\$	Leasehold land and buildings HK\$	Leasehold improvements HK\$	Wardrobe HK\$	Furniture, fixtures and equipment HK\$	Motor vehicles HK\$	Yacht HK\$	Total HK\$
<b>Cost or valuation</b>								
At 1 April 2011	24,390,073	5,500,000	42,754,179	1,137,797	50,392,257	10,348,821	6,800,000	141,323,127
Surplus on revaluation	-	200,000	-	-	-	-	-	200,000
Additions	-	-	24,979,976	-	5,524,060	4,308,608	-	34,812,644
Acquired through business combinations (note 42(b), (c), (e))	-	-	108,438,124	-	6,969,634	1,305,886	-	116,713,644
Disposals	-	-	(10,400)	-	(1,920,095)	(2,777,037)	-	(4,707,532)
Exchange differences	957,726	-	5,857,461	-	3,867,359	425,945	-	11,108,491
At 31 March 2012 and 1 April 2012	25,347,799	5,700,000	182,019,340	1,137,797	64,833,215	13,612,223	6,800,000	299,450,374
Surplus on revaluation	-	2,000,000	-	-	-	-	-	2,000,000
Additions	-	-	37,939,620	-	2,955,687	4,864,491	-	45,759,798
Acquired through business combination (note 42(a))	-	-	56,401	-	1,448,616	1,583,855	-	3,088,872
Disposal of subsidiaries (note 43(b), (c))	-	-	(2,425,491)	-	(311,056)	(20,496)	-	(2,757,043)
Disposal of jointly controlled entities (note 42(a))	-	-	(1,198,642)	-	(1,873,195)	(3,488,762)	-	(6,560,599)
Disposals	-	-	-	-	(1,195,122)	(413,015)	-	(1,608,137)
Written off	-	-	-	(1,137,797)	-	-	-	(1,137,797)
Exchange differences	96,575	-	806,271	-	764,470	104,400	-	1,771,716
At 31 March 2013	25,444,374	7,700,000	217,197,499	-	66,622,615	16,242,696	6,800,000	340,007,184
<b>Accumulated depreciation and impairment</b>								
At 1 April 2011	17,623,893	-	34,109,396	1,137,797	35,858,499	5,598,950	1,133,333	95,461,868
Charge for the year	3,824,093	151,624	16,937,935	-	11,747,962	2,260,142	680,000	35,601,756
Eliminated on revaluation	-	(151,624)	-	-	-	-	-	(151,624)
Impairment loss	417,920	-	3,492,708	-	1,448,945	211,422	-	5,570,995
Eliminated on disposals	-	-	(10,400)	-	(1,673,345)	(1,474,166)	-	(3,157,911)
Exchange differences	703,262	-	2,900,290	-	2,451,877	222,155	-	6,277,584
At 31 March 2012 and 1 April 2012	22,569,168	-	57,429,929	1,137,797	49,833,938	6,818,503	1,813,333	139,602,668
Charge for the year	2,782,106	212,273	21,586,297	-	9,910,323	3,307,593	680,000	38,478,592
Eliminated on revaluation	-	(212,273)	-	-	-	-	-	(212,273)
Impairment loss	-	-	-	-	915,584	-	-	915,584
Eliminated on disposals	-	-	-	-	(1,113,913)	(392,570)	-	(1,506,483)
Eliminated on written off	-	-	-	(1,137,797)	-	-	-	(1,137,797)
Disposal of subsidiaries (note 43(b), (c))	-	-	(85,005)	-	(105,081)	(3,236)	-	(193,322)
Disposal of jointly controlled entities (note 42(a))	-	-	(1,196,531)	-	(1,409,256)	(2,923,117)	-	(5,528,904)
Exchange differences	93,100	-	383,094	-	243,602	77,027	-	796,823
At 31 March 2013	25,444,374	-	78,117,784	-	58,275,197	6,884,200	2,493,333	171,214,888
<b>Net book value</b>								
At 31 March 2013	-	7,700,000	139,079,715	-	8,347,418	9,358,496	4,306,667	168,792,296
At 31 March 2012	2,778,631	5,700,000	124,589,411	-	14,999,277	6,793,720	4,986,667	159,847,706

# Notes to the Financial Statements

31 March 2013

## 17. PROPERTY, PLANT AND EQUIPMENT (Continued)

The analysis of the net book value or valuation of the above assets at 31 March 2013 is as follows:

	Hotel buildings in PRC HK\$	Leasehold land and buildings HK\$	Leasehold improvements HK\$	Furniture, fixtures and equipment HK\$	Motor vehicles HK\$	Yacht HK\$	Total HK\$
At cost	-	-	139,079,715	8,347,418	9,358,496	4,306,667	161,092,296
At 2013 professional valuation	-	7,700,000	-	-	-	-	7,700,000
	-	7,700,000	139,079,715	8,347,418	9,358,496	4,306,667	168,792,296

The analysis of the net book value or valuation of the above assets at 31 March 2012 is as follows:

	Hotel buildings in PRC HK\$	Leasehold land and buildings HK\$	Leasehold improvements HK\$	Furniture, fixtures and equipment HK\$	Motor vehicles HK\$	Yacht HK\$	Total HK\$
At cost	2,778,631	-	124,589,411	14,999,277	6,793,720	4,986,667	154,147,706
At 2012 professional valuation	-	5,700,000	-	-	-	-	5,700,000
	2,778,631	5,700,000	124,589,411	14,999,277	6,793,720	4,986,667	159,847,706

The Group's leasehold land and buildings and hotel buildings are located in Hong Kong and PRC respectively and are analysed at their carrying values as follows:

	2013 HK\$	2012 HK\$
<b>Properties located in Hong Kong</b>		
Lease between 10 to 50 years	7,700,000	5,700,000
<b>Properties located in PRC</b>		
Lease over 50 years	-	2,778,631

## Notes to the Financial Statements

31 March 2013

### 17. PROPERTY, PLANT AND EQUIPMENT (Continued)

An impairment loss on property, plant and equipment used in the hotel operations of HK\$915,584 (2012: HK\$1,710,011) was made due to keen competition in hotel business which resulted in weak performance for that year and uncertainty arose for subsequent years. During the year ended 31 March 2013, the recoverable amount of the hotel operations to which property, plant and equipment and the payments for leasehold land held for own use under operating leases are allocated has been determined by the fair value less costs to sell. The fair value was based on the consideration in relation to disposal of hotel operations immediate after 31 March 2013 (see note 51 (b)) and the cost of disposal is expected to be not material. During the year ended 31 March 2012, the impairment loss was determined with reference to a valuation provided by Savills Valuation and Professional Services Limited ("Savills"), an independent professional valuer. The valuation was arrived at by considering the capitalised net earnings to be derived from the hotel operations. The discount rate applied to the valuation is 9%.

Leasehold land and buildings were revalued at 31 March 2013 on the open market value basis by Savills. The valuation was mainly arrived at by reference to comparable market transactions. A net revaluation surplus of HK\$1,847,248 (2012: HK\$293,606) was credited to other properties revaluation reserve, after netting off applicable deferred tax expense of HK\$365,025 (2012: HK\$58,018).

The carrying amount of leasehold land and building of the Group would have been HK\$736,840 (2012: HK\$761,111) had they been stated at cost less accumulated depreciation and accumulated impairment losses.

At 31 March 2013 and 2012, the Group did not pledge any property, plant and equipment.

### 18. INVESTMENT PROPERTIES

#### Group

	<b>2013</b>	2012
	<b>HK\$</b>	HK\$
At 1 April	<b>82,873,000</b>	80,655,000
Transfer to assets held for sale (note 32(a))	–	(10,989,565)
Change in fair value (note (e))	–	13,207,565
Disposal of subsidiary (note 43)	<b>(82,873,000)</b>	–
At 31 March	–	82,873,000

- (a) Investment properties were revalued at 31 March 2012 on the open market value basis by an independent valuer, Savills. The valuation was mainly arrived at by reference to comparable market transactions and where appropriate, on the basis of the capitalisation of the net income with due provision for the reversionary income potential.

# Notes to the Financial Statements

31 March 2013

## 18. INVESTMENT PROPERTIES (Continued)

- (b) At 31 March 2012, the Group did not pledge any investment property.
- (c) Gross rental income from investment properties amounted to HK\$4,277,318 (2012: HK\$5,559,937).
- (d) The Group's investment properties are analysed at their carrying values as follows:

	<b>2013</b>	2012
	<b>HK\$</b>	HK\$
<b>Investment properties located in PRC</b>		
Lease between 10 to 50 years	-	82,873,000

- (e) Included in change in fair value during the year ended 31 March 2012 was an amount of HK\$4,189,565 which related to the investment properties classified as assets held for sale as shown in note 32(a).

## 19. PAYMENTS FOR LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

### Group

	HK\$
At 1 April 2011	212,859,250
Charge for the year	(4,084,635)
Impairment loss	(16,233,022)
Exchange differences	8,298,726
At 31 March 2012 and 1 April 2012	200,840,319
Charge for the year	(4,044,898)
Impairment loss	(11,794,347)
Exchange differences	741,338
At 31 March 2013	185,742,412

The above land is held under long-term lease and is located in PRC.

The impairment of HK\$11,794,347 (2012: HK\$16,233,022) recognised in 2013 was related to a parcel of land currently used for hotel operations. In assessing the impairment, the recoverable amount of payments for leasehold land held for own use under operating leases for the years ended 31 March 2013 and 2012 is determined using the same basis as explained in note 17 on the hotel operations.



# Notes to the Financial Statements

31 March 2013

## 20. GOODWILL AND IMPAIRMENT

### Group

	Provision of copyright licence fees settlement and collection services HK\$	Provision of intellectual property enforcement services (note (a)) HK\$	Exhibition- relation business (note (b)) HK\$	Property sub-leasing business (note (c)) HK\$	Food and beverages (note (d)) HK\$	Entertainment business (note (e)) HK\$	Wedding services HK\$	Others HK\$	Total HK\$
<b>Cost</b>									
At 1 April 2011	1,156,654,441	79,427,363	-	-	920,494	15,287,287	18,988,140	15,000	1,271,292,725
Arising from business combinations (note 42(b), (c), (d), (e))	-	-	113,345,357	18,311,567	1,280,000	84,078,892	-	-	217,015,816
At 31 March 2012 and 1 April 2012	1,156,654,441	79,427,363	113,345,357	18,311,567	2,200,494	99,366,179	18,988,140	15,000	1,488,308,541
Disposal of subsidiaries (note 43(b))	-	-	-	-	-	(84,078,892)	-	-	(84,078,892)
Written off	(1,156,654,441)	-	(113,345,357)	-	(2,200,494)	(15,287,287)	(18,988,140)	(15,000)	(1,306,490,719)
At 31 March 2013	-	79,427,363	-	18,311,567	-	-	-	-	97,738,930
<b>Impairment</b>									
At 1 April 2011	1,156,654,441	-	-	-	920,494	15,287,287	18,988,140	15,000	1,191,865,362
Impairment loss	-	-	113,345,357	-	1,280,000	24,986,887	-	-	139,612,244
At 31 March 2012 and 1 April 2012	1,156,654,441	-	113,345,357	-	2,200,494	40,274,174	18,988,140	15,000	1,331,477,606
Disposal of subsidiaries (note 43(b))	-	-	-	-	-	(24,986,887)	-	-	(24,986,887)
Eliminated on written off	(1,156,654,441)	-	(113,345,357)	-	(2,200,494)	(15,287,287)	(18,988,140)	(15,000)	(1,306,490,719)
At 31 March 2013	-	-	-	-	-	-	-	-	-
<b>Carrying value</b>									
At 31 March 2013	-	79,427,363	-	18,311,567	-	-	-	-	97,738,930
At 31 March 2012	-	79,427,363	-	18,311,567	-	59,092,005	-	-	156,830,935

# Notes to the Financial Statements

31 March 2013

## 20. GOODWILL AND IMPAIRMENT (Continued)

In accordance with HKAS 36 “Impairment of assets”, management of the Group performed impairment test for goodwill allocated to the Group’s various cash generating units (“CGUs”) by comparing their recoverable amounts to their carrying amounts at the end of the reporting period. The recoverable amount of a CGU is determined based on value-in-use calculation.

- (a) The recoverable amount of the CGU in relation to provision of intellectual property enforcement services has been determined from value-in-use calculation based on cash flow projections covering from 2013 to 2022, which is the period whereby an exclusive right has been granted to the Group by the China Audio-Video Copyright Association to provide intellectual property enforcement services. No impairment was provided on goodwill from the provision of intellectual property enforcement services as the recoverable amount exceeded the carrying amount of the CGU.

Management of the Group has adopted the following key assumptions in preparation of the cash flow projections to undertake impairment testing of goodwill, the related intangible asset (note 21(b)) and deferred expenditure (note 26):

- The revenue growth rate and discount rate used for cash flow projections for the provision of intellectual property enforcement services are as follows:

	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Revenue growth rate	64%	69%	66%	45%	30%
Discount rate	18%	18%	18%	18%	18%

- Cash flows beyond the five-year period are extrapolated using the estimated zero revenue growth rate per annum.
- (b) On 20 May 2011, the Group completed the acquisition of China Resources Advertising & Exhibition Company Limited and its subsidiaries (the “CRA Group”), which acts as an organiser and contractor for all kinds of exhibition events and meeting events mainly in Hong Kong (see note 42(e)).

During the year ended 31 March 2013, the estimated recoverable amounts of the above CGU were determined based on the value-in-use approach. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using a 5% revenue growth rate per annum. Discount rate of 16% is used in the calculation. The key assumptions have been determined by the Group’s management based on past performance and its expectations for the industry development. Management of the Group determined that there was no impairment loss or reversal of impairment loss on intangible assets as the recoverable amount marginally exceeded the carrying amount of the CGU and there was no significant change in the Group’s management expectations of exhibition-related business during the year ended 31 March 2013.

## Notes to the Financial Statements

31 March 2013

### 20. GOODWILL AND IMPAIRMENT (Continued)

(b) (Continued)

For the year ended 31 March 2012, the goodwill of HK\$113,345,357 was fully impaired and impairment loss on intangible assets of HK\$6,130,525 were provided (note 21(f)) in connection with the exhibition relation business. It was because subsequent to the acquisition of the CRA Group, the revenue and net profit generated from the exhibition-related business has dropped, which was resulted from the adverse global economic environment. In addition, as there was a proposed redevelopment plan, it is expected that the landlord of certain exhibition halls currently leased by the CRA Group for exhibition-related business will terminate the relevant rental arrangement. As a result, the Directors expected that the profit generated by the CRA Group will be reduced. In view of the above, the Group used the following assumptions in the preparation of cash flow projection for impairment assessment of goodwill and the related intangible asset (note 21(f)) as at 31 March 2012:

- for revenue generated from the above-mentioned leased exhibition halls, the discounted cash flow only included the cash flows contributed by leased exhibition halls up to 2013, as the Directors considered that the rental agreement will be terminated by landlord starting from 1 April 2013 (the lease was terminated on 31 May 2013).
  - For the rest of the exhibition-related business, a more prudent revenue growth rate of 5% (instead of 10% as used at the date of acquisition) is used due to the expected adverse economic environment in the future as evidenced by the decrease in revenue in recent fashion shows held by the CRA Group.
  - Discount rate of 19% is used in the calculation.
- (c) On 8 July 2011, the Group acquired the entire issued share capital of BoRen Cultural Development Limited ("BoRen") which is engaged in sub-leasing of properties and facilities in Nanjing, PRC (see note 42(c)). The estimated recoverable amount is determined based on value-in-use calculation. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a one-year period. Cash flows beyond the one-year period are extrapolated using a 5% (2012: 5%) revenue growth rate per annum. Discount rate of 11% (2012: 19%) per annum is used in the calculation which was provided by Savills with reference to similar companies. The key assumptions have been determined by the Group's management based on past performance and its expectations for the industry development. No impairment was provided on goodwill from the property sub-leasing business as the recoverable amount exceeded the carrying amount of the CGU during the years ended 31 March 2013 and 2012.

## Notes to the Financial Statements

31 March 2013

### 20. GOODWILL AND IMPAIRMENT (Continued)

- (d) On 27 May 2011, the Group acquired a business of hot pot restaurant carried on under the name of Number One Hot Pot ("Number One") at a consideration of HK\$1,280,000 (see note 42(d)). The estimated recoverable amount is determined based on value-in-use calculation. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a one-year period. Cash flows beyond the one-year period are extrapolated using a 3% revenue growth rate per annum. Discount rate of 8% per annum is used in the calculation. The key assumptions have been determined by the Group's management based on past performance and its expectations for the industry development.

The Group made a full provision for impairment loss of the goodwill during the year ended 31 March 2012 because Number One experienced significant loss since the date of acquisition and management is uncertain about the future profitability of the hot pot business.

- (e) On 30 December 2011, the Group acquired 45.88% of the entire issued share capital of China Media and Films Holdings Limited ("CMF"), increasing its equity interests in CMF from 29.08% to 74.96% (see note 42(b)). CMF is principally engaged in artist management and film production in Hong Kong and PRC. The estimated recoverable amount of the CGU in relation to CMF is determined based on fair value less costs to sell. The fair value was based on quoted closing price of CMF quoted on the Stock Exchange. An impairment loss of HK\$24,986,887 was provided on goodwill during the year ended 31 March 2012 in relation to CMF as the recoverable amount is less than the carrying amount of CGU. The impairment loss of the goodwill was mainly due to decrease in quoted closing price of CMF since the date of acquisition of CMF.

During the year ended 31 March 2013, the goodwill was derecognised as a result of the disposal of CMF and its subsidiaries (see note 43(b), (c)).

All the discount rates used above are pre-tax and reflect specific risks relating to the relevant segments.

# Notes to the Financial Statements

31 March 2013

## 21. INTANGIBLE ASSETS

### Group

	Provision of copyright licence fees settlement and collection services (note (a)) HK\$	Provision of intellectual property enforcement services (note (b)) HK\$	Karaoke CMS (note (c)) HK\$	Golf club memberships (note (d)) HK\$	Website (note (e)) HK\$	Customer relationship and customer contracts (note (f)) HK\$	Film rights (note (g)) HK\$	Films in progress (note (h)) HK\$	Total HK\$
<b>Cost</b>									
At 1 April 2011	125,717,920	111,221,900	7,104,436	2,034,150	151,461	-	-	-	246,229,867
Acquired through business combinations (note 42(b), (e))	-	-	-	-	-	38,410,000	1,188,218	413,422	40,011,640
Exchange differences	5,603,010	5,184,053	278,970	20,975	11,376	-	-	-	11,098,384
At 31 March 2012 and 1 April 2012	131,320,930	116,405,953	7,383,406	2,055,125	162,837	38,410,000	1,188,218	413,422	297,339,891
Additions	-	-	-	-	-	-	-	15,558,645	15,558,645
Acquired through business combinations (note 42(a))	2,387,031	-	-	816,523	-	-	-	-	3,203,554
Disposal of jointly controlled entities (note 42(a))	(132,703,749)	-	(7,461,154)	(560,971)	(164,552)	-	-	-	(140,890,426)
Disposal of subsidiaries (note 43(b))	-	-	-	-	-	-	(1,188,218)	(413,422)	(1,601,640)
Exchange differences	1,366,892	442,558	77,748	398	1,715	-	-	29,694	1,919,005
At 31 March 2013	2,371,104	116,848,511	-	2,311,075	-	38,410,000	-	15,588,339	175,529,029
<b>Accumulated amortisation and impairment</b>									
At 1 April 2011	125,717,920	2,780,547	7,104,436	543,890	151,461	-	-	-	136,298,254
Amortisation for the year	-	11,640,595	-	116,884	-	2,880,750	-	-	14,638,229
Impairment loss	-	-	-	-	-	6,130,525	-	-	6,130,525
Exchange differences	5,603,010	129,601	278,970	20,974	11,376	-	-	-	6,043,931
At 31 March 2012 and 1 April 2012	131,320,930	14,550,743	7,383,406	681,748	162,837	9,011,275	-	-	163,110,939
Amortisation for the year	118,555	11,662,593	-	116,883	-	3,178,240	-	-	15,076,271
Disposal of jointly controlled entities (note 42(a))	(132,703,749)	-	(7,461,154)	(560,971)	(164,552)	-	-	-	(140,890,426)
Exchange differences	1,366,893	84,171	77,748	5,846	1,715	-	-	-	1,536,373
At 31 March 2013	102,629	26,297,507	-	243,506	-	12,189,515	-	-	38,833,157
<b>Net book value</b>									
At 31 March 2013	2,268,475	90,551,004	-	2,067,569	-	26,220,485	-	15,588,339	136,695,872
At 31 March 2012	-	101,855,210	-	1,373,377	-	29,398,725	1,188,218	413,422	134,228,952

# Notes to the Financial Statements

31 March 2013

## 21. INTANGIBLE ASSETS (Continued)

- (a) Provision of copyright licence fees settlement and collection services represents the exclusive right in respect of the karaoke copyright in PRC managed and administered by the China Audio-Video Copyright Association for a period of 10 years from 27 December 2007. The recoverable amount of the CGU of provision of copyright licence fees settlement and collection services to which the licence fee collection right is allocated has been determined by the value-in-use calculation. During the year ended 31 March 2013, intangible asset in relation to provision of copyright licence fees settlement and collection services of HK\$2,387,031 was acquired through step acquisition of jointly controlled entities (see note 42(a)). As at 31 March 2013, management of the Group determined that there was no impairment as the recoverable amount exceeded its carrying amount.
- (b) The recoverable amount of the CGU of provision of intellectual property enforcement services to which the intellectual property enforcement services right is allocated has been determined by the value-in-use calculation, the details of which are disclosed in note 20(a). As at 31 March 2013, management of the Group determined that there was no impairment as the recoverable amount exceeded its carrying amount.
- (c) Karaoke CMS represents the exclusive right to use a nationwide karaoke content management service system in PRC for a term of 10 years from 15 July 2007. The recoverable amount of the CGU of provision of copyright licence fees settlement and collection services to which the Karaoke CMS right is allocated has been determined by the value-in-use calculation. During the year ended 31 March 2013, Karaoke CMS was disposed through step acquisition of jointly controlled entities (see note 42(a)).
- (d) For the purpose of impairment testing on the golf club memberships, the recoverable amount has been determined based on fair value less costs to sell. The fair value less costs to sell is referenced to the second-hand market price of the golf club memberships less estimated costs of disposal. During the year ended 31 March 2013, no impairment loss was recognised since the recoverable amount of the golf club memberships exceeded its carrying amount.
- (e) Website has a useful life of three years. During the year ended 31 March 2010, management of the Group has decided to terminate the use of website and therefore the carrying value of the website was fully impaired. During the year ended 31 March 2013, website was disposed through step acquisition of jointly controlled entities (see note 42(a)).
- (f) Customer relationship and customer contracts represent the long established relationship the CRA Group with the Hong Kong Trade Development Council ("HKTDC") and various sub-councils of the China Council for the Promotion of International Trade in PRC for large-scale trade fairs, which are mostly organised by HKTDC. The CRA Group has been consistently appointed by HKTDC as the sole agent of China Pavilion for the Hong Kong Fashion Week. These customer relationship and customer contracts have estimated useful life of ten years. During the year ended 31 March 2013, no impairment loss (2012: HK\$6,130,525) was recognised in respect of the customer relationship and customer contracts due to the reason as described in note 20(b).

## Notes to the Financial Statements

31 March 2013

### 21. INTANGIBLE ASSETS (Continued)

- (g) During the year ended 31 March 2012, the Group acquired film rights in relation to the broadcasting of the film "Written By" through the media of regional internet worldwide market (see note 42(b)). The estimated recoverable amount of the CGU of film rights to which the film rights is allocated has been determined by the value-in-use calculation. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a one-year period. Cash flows beyond the one-year period are extrapolated using a 10% revenue growth rate per annum. Discount rate of 15% per annum is used in the calculation. The key assumptions have been determined by the Group's management based on past performance and its expectations for the industry development. During the year ended 31 March 2013, management of the Group determined that there was no impairment as the recoverable amount exceeded its carrying amount.

During the year ended 31 March 2013, the film rights were disposed through the disposal of subsidiaries (see note 43(b)).

- (h) Films in progress of HK\$15,558,645 were acquired during the year ended 31 March 2013 and films in progress of HK\$413,422 were acquired through acquisition of subsidiaries during the year ended 31 March 2012 (see note 42(b)). Films in progress represented costs for development and preparation of films which are under production. In light of the stage of film production, the Group regularly reviews the progress of film production to assess the cost of films in progress. The estimated recoverable amount of the films in progress has been determined by the value-in-use calculation. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Discount rate of 13% per annum is used in the calculation. The key assumptions have been determined by the Group's management based on past performance and its expectations for the industry development. During the year ended 31 March 2013, management of the Group determined that there was no impairment as the recoverable amount exceeded its carrying amount.

During the year ended 31 March 2013, films in progress of HK\$413,422 were disposed through the disposal of subsidiaries (see note 43(b)).

# Notes to the Financial Statements

31 March 2013

## 22. INTERESTS IN SUBSIDIARIES

	Company	
	2013 HK\$	2012 HK\$
Unlisted shares, at cost	<b>2,039,794,523</b>	1,974,576,274
Less: Impairment loss	<b>(1,571,566,926)</b>	(1,571,566,926)
	<b>468,227,597</b>	403,009,348
Amounts due from subsidiaries	<b>1,167,461,517</b>	1,090,115,179
Less: Impairment loss	<b>(292,593,814)</b>	(292,593,814)
	<b>874,867,703</b>	797,521,365
Amounts due to subsidiaries	<b>(657,448,855)</b>	(376,608,216)

The amounts due from/(to) subsidiaries are unsecured, interest-free and repayable on demand.



## Notes to the Financial Statements

31 March 2013

### 22. INTERESTS IN SUBSIDIARIES (Continued)

The following is a list of the principal subsidiaries as at 31 March 2013.

Name	Form of business structure	Place of incorporation	Principal activities and place of operation	Issued share capital/ paid-up registered capital	Percentage of ownership interests held	
					directly	indirectly
Golden Island Bird's Nest Chiu Chau Restaurant (Star House) Limited	Limited liability company	Hong Kong	Investment holding in Hong Kong	100 ordinary shares of HK\$100 each and 240,000 deferred shares of HK\$100 each	100	–
Golden Island (Management) Limited	Limited liability company	Hong Kong	Provision of management services to group companies in Hong Kong	10,000 ordinary shares of HK\$1 each	100	–
Hua Rong Sheng Shi Holdings Limited	Limited liability company	The British Virgin Islands ("BVI")	Investment holding in Hong Kong	100 ordinary shares of US\$1 each	100	–
Welly Champ International Limited ("Welly Champ") (note 44(b))	Limited liability company	BVI	Investment holding in Hong Kong	236.13 ordinary shares of US\$1 each	89.18	–
Wholly Gain Limited	Limited liability company	BVI	Investment holding in Hong Kong	1 ordinary share of US\$1	100	–
Win Castle Group Limited	Limited liability company	BVI	Investment holding in Hong Kong	1 ordinary share of US\$1	100	–
Win Fame Limited	Limited liability company	BVI	Investment holding in Hong Kong	1 ordinary share of US\$1	100	–
Win Success Enterprises Limited	Limited liability company	BVI	Investment holding in Hong Kong	100 ordinary shares of US\$1 each	100	–
Wide Stand Holdings Limited	Limited liability company	BVI	Investment holding in Hong Kong	100 ordinary shares of US\$1 each	100	–
Wise Mark Group Limited	Limited liability company	BVI	Investment holding in Hong Kong	1 ordinary share of US\$1	100	–

## Notes to the Financial Statements

31 March 2013

## 22. INTERESTS IN SUBSIDIARIES (Continued)

Name	Form of business structure	Place of incorporation	Principal activities and place of operation	Issued share capital/ paid-up registered capital	Percentage of ownership interests held	
					directly	indirectly
Wave High International Limited	Limited liability company	BVI	Investment holding in Hong Kong	1 ordinary share of US\$1	100	–
Win Sea Group Limited	Limited liability company	Hong Kong	Investment holding in Hong Kong	1 ordinary share of HK\$1	100	–
Wellrich Investments Limited ("Wellrich")	Limited liability company	BVI	Investment holding in Hong Kong	100 ordinary shares of US\$1 each	100	–
肇慶星湖俱樂部 ("Star-Lake Club")	Sino-foreign equity joint venture	PRC	Hotel operations in PRC	RMB101,425,044	–	94
Baron Productions and Artiste Management Company Limited	Limited liability company	Hong Kong	Music production and artist management in Hong Kong	100 ordinary shares of HK\$1 each	–	51
Chance Music Limited ("CML")	Limited liability company	Hong Kong	Music production in Hong Kong	10,000 ordinary shares of HK\$1 each	–	60
Golden Capital Entertainment Company Limited	Limited liability company	BVI	Investment holding in Hong Kong	10 ordinary shares of US\$1 each	–	100
Golden Island Catering Group Company Limited	Limited liability company	Hong Kong	Sale of food and beverages	2 ordinary shares of HK\$1 each	100	–
Golden Capital Entertainment Limited	Limited liability company	Hong Kong	Investment holding in Hong Kong	1 ordinary share of HK\$1	–	100
Golden Island Bird's Nest Chiu Chau Restaurant (Causeway Bay) Limited	Limited liability company	Hong Kong	Property holding in Hong Kong	12,000 ordinary shares of HK\$100 each	–	100
Solid Sound Productions Limited	Limited liability company	Hong Kong	Music production and artist management in Hong Kong	100 ordinary shares of HK\$1 each	–	51
Media Sound Technology Limited ("Media Sound") (note 44(a))	Limited liability company	Hong Kong	Investment holding in Hong Kong	2 ordinary shares of HK\$1 each	100	–
Song Labs Co., Limited ("Song Labs") (note 44(a))	Limited liability company	PRC	Intellectual property enforcement activities in PRC	RMB56,250,000	–	100

# Notes to the Financial Statements

31 March 2013

## 22. INTERESTS IN SUBSIDIARIES (Continued)

Name	Form of business structure	Place of incorporation	Principal activities and place of operation	Issued share capital/ paid-up registered capital	Percentage of ownership interests held	
					directly	indirectly
Well Allied Investments Limited ("Well Allied")	Limited liability company	BVI	Investment holding in Hong Kong	159.61 ordinary shares of US\$1 each	-	59.6
World Honour Investments Limited	Limited liability company	Hong Kong	Property holding in Hong Kong	100 ordinary shares of HK\$1 each	-	100
中音傳播(深圳)有限公司	Foreign enterprise	PRC	Karaoke license fee collection business in PRC	HK\$15,900,000	-	59.6
Witty Idea Finance Company Limited	Limited liability company	Hong Kong	Money leading business in Hong Kong	1 ordinary share of HK\$1	-	100
Elite-China Cultural Development Limited ("Elite-China")	Limited liability company	Hong Kong	Investment holding in PRC	10,000 ordinary shares of HK\$1 each	-	60
南京創意東八區科技有限責任公司	Foreign equity joint venture	PRC	Property sub-leasing business in PRC	RMB14,000,000	-	60
南京垠坤投資實業有限公司	Limited liability company	PRC	Property sub-leasing business in PRC	RMB10,000,000	-	60
南京垠坤通產資產經營管理有限公司	Limited liability company	PRC	Property sub-leasing business in PRC	RMB10,000,000	-	30.6
珠海市紫御軒酒業有限公司	Limited liability company	PRC	Sale of food and beverages	RMB1,000,000	-	100
BoRen Cultural Development Limited	Limited liability company	BVI	Investment holding in PRC	1 ordinary share of US\$1	-	100
China Resources Advertising & Exhibition Company Limited	Limited liability company	Hong Kong	Exhibition-related services in Hong Kong	100,000 ordinary shares of HK\$1 each	100	-
New Asia Media Development Limited	Limited liability company	BVI	Investment holding	1 ordinary share of US\$1	100	-

## Notes to the Financial Statements

31 March 2013

## 22. INTERESTS IN SUBSIDIARIES (Continued)

Name	Form of business structure	Place of incorporation	Principal activities and place of operation	Issued share capital/ paid-up registered capital	Percentage of ownership interests held	
					directly	indirectly
天合文化集團有限公司 ("Tian He") (Note 42(a))	Corporation	PRC	Provision of copyright transactions settlement services relating to karaoke venues in PRC through a nationwide Karaoke CMS and investment holding	RMB100,000,000	-	70
福建天合文化傳播有限公司 (Note 42(a))	Corporation	PRC	Provision of copyright transactions settlement services relating to karaoke venues in PRC	RMB5,000,000	-	35.7
浙江天合文化發展有限公司 (Note 42(a))	Corporation	PRC	Provision of copyright transactions settlement services relating to karaoke venues in PRC	RMB5,000,000	-	35.7
安徽天合文化有限公司 (Note 42(a))	Corporation	PRC	Provision of copyright transactions settlement services relating to karaoke venues in PRC	RMB2,000,000	-	35.7
北京天合新紀元文化有限公司 (Note 42(a))	Corporation	PRC	Provision of copyright transactions settlement services relating to karaoke venues in PRC	RMB3,000,000	-	35.7
天津天合新紀元文化傳播有限公司 (Note 42(a))	Corporation	PRC	Provision of copyright transactions settlement services relating to karaoke venues in PRC	RMB3,000,000	-	52.9
山東天合世紀文化傳播有限公司 (Note 42(a))	Corporation	PRC	Provision of copyright transactions settlement services relating to karaoke venues in PRC	RMB3,000,000	-	70

# Notes to the Financial Statements

31 March 2013

## 22. INTERESTS IN SUBSIDIARIES (Continued)

Name	Form of business structure	Place of incorporation	Principal activities and place of operation	Issued share capital/ paid-up registered capital	Percentage of ownership interests held	
					directly	indirectly
北京天合傳媒網絡有限公司 (Note 42(a))	Corporation	PRC	Dormant	RMB3,000,000	-	70
湖南天合世嘉文化有限公司 (Note 42(a))	Corporation	PRC	Provision of copyright transactions settlement services relating to karaoke venues in PRC	RMB3,000,000	-	52.9
上海天合文化傳播有限公司 (Note 42(a))	Corporation	PRC	Provision of copyright transactions settlement services relating to karaoke venues in PRC	RMB3,000,000	-	35.7
遼寧天合文化有限公司 (Note 42(a))	Corporation	PRC	Provision of copyright transactions settlement services relating to karaoke venues in PRC	RMB3,000,000	-	39.2
湖北天合文化發展有限公司 (Note 42(a))	Corporation	PRC	Provision of copyright transactions settlement services relating to karaoke venues in PRC	RMB3,000,000	-	35.7
河南天合文化有限公司 (Note 42(a))	Corporation	PRC	Provision of copyright transactions settlement services relating to karaoke venues in PRC	RMB3,000,000	-	35.7
海南天合傳美文化有限公司 (Note 42(a))	Corporation	PRC	Provision of copyright transactions settlement services relating to karaoke venues in PRC	RMB2,000,000	-	35.7
重慶天合世紀文化傳媒有限公司 (Note 42(a))	Corporation	PRC	Provision of copyright transactions settlement services relating to karaoke venues in PRC	RMB3,000,000	-	35.7

## Notes to the Financial Statements

31 March 2013

## 22. INTERESTS IN SUBSIDIARIES (Continued)

Name	Form of business structure	Place of incorporation	Principal activities and place of operation	Issued share capital/ paid-up registered capital	Percentage of ownership interests held	
					directly	indirectly
黑龍江天合世紀文化有限公司 (Note 42(a))	Corporation	PRC	Provision of copyright transactions settlement services relating to karaoke venues in PRC	RMB3,000,000	-	53.2
四川天合文化有限公司 (Note 42(a))	Corporation	PRC	Provision of copyright transactions settlement services relating to karaoke venues in PRC	RMB3,000,000	-	35.07
山西天合文化傳播有限公司 (Note 42(a))	Corporation	PRC	Provision of copyright transactions settlement services relating to karaoke venues in PRC	RMB3,000,000	-	35.7
雲南天合世紀文化傳播有限公司 (Note 42(a))	Corporation	PRC	Provision of copyright transactions settlement services relating to karaoke venues in PRC	RMB3,000,000	-	35.7
吉林天合世嘉文化有限公司 (Note 42(a))	Corporation	PRC	Provision of copyright transactions settlement services relating to karaoke venues in PRC	RMB2,000,000	-	70
貴州天合陽光文化有限公司 (Note 42(a))	Corporation	PRC	Provision of copyright transactions settlement services relating to karaoke venues in PRC	RMB2,000,000	-	35.7
陝西天合陽光文化傳播有限公司 (Note 42(a))	Corporation	PRC	Provision of copyright transactions settlement services relating to karaoke venues in PRC	RMB1,000,000	-	70
寧夏天合文化有限公司 (Note 42(a))	Corporation	PRC	Provision of copyright transactions settlement services relating to karaoke venues in PRC	RMB1,000,000	-	70

# Notes to the Financial Statements

31 March 2013

## 22. INTERESTS IN SUBSIDIARIES (Continued)

Name	Form of business structure	Place of incorporation	Principal activities and place of operation	Issued share capital/ paid-up registered capital	Percentage of ownership interests held	
					directly	indirectly
江蘇天合新紀元文化有限公司 (Note 42(a))	Corporation	PRC	Provision of copyright transactions settlement services relating to karaoke venues in PRC	RMB5,000,000	–	52.9
江西天合新紀元文化有限公司 (Note 42(a))	Corporation	PRC	Provision of copyright transactions settlement services relating to karaoke venues in PRC	RMB2,000,000	–	35.7
廣州天合文化發展有限公司 (Note 42(a))	Corporation	PRC	Provision of copyright transactions settlement services relating to karaoke venues in PRC	RMB3,000,000	–	35.7
新疆天合文化有限公司 (Note 42(a))	Corporation	PRC	Provision of copyright transactions settlement services relating to karaoke venues in PRC	RMB1,000,000	–	35.7
廣西天合世紀文化有限公司 (Note 42(a))	Corporation	PRC	Provision of copyright transactions settlement services relating to karaoke venues in PRC	RMB3,000,000	–	35.7
甘肅天合文化有限公司 (Note 42(a))	Corporation	PRC	Provision of copyright transactions settlement services relating to karaoke venues in PRC	RMB1,000,000	–	70
青海天合文化有限公司 (Note 42(a))	Corporation	PRC	Provision of copyright transactions settlement services relating to karaoke venues in PRC	RMB1,000,000	–	35.7
內蒙古天合文化有限公司 (Note 42(a))	Corporation	PRC	Provision of copyright transactions settlement services relating to karaoke venues in PRC	RMB3,000,000	–	35.7
河北天人合文化有限公司 (Note 42(a))	Corporation	PRC	Provision of copyright transactions settlement services relating to karaoke venues in PRC	RMB3,000,000	–	35.7

## Notes to the Financial Statements

31 March 2013

### 22. INTERESTS IN SUBSIDIARIES (Continued)

The above list includes 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.

### 23. INTERESTS IN ASSOCIATES

	<b>2013</b>	2012
	<b>HK\$</b>	HK\$
Share of net assets of associates	<b>37,745,060</b>	916,388
Goodwill	<b>52,529,798</b>	26,224,086
Impairment loss recognised	<b>(27,140,474)</b>	(27,140,474)
	<b>63,134,384</b>	–

On 28 May 2012, Eternity Investment Limited (“Eternity”), an independent third party, and the Company entered into a sale and purchase agreement, pursuant to which Eternity has conditionally agreed to acquire, and the Company has conditionally agreed to sell, 29% of the entire issued share capital of CMF, for a cash consideration of HK\$51,324,000 (equivalent to HK\$0.35 per share). The disposal was completed on 3 August 2012. Please refer to note 43(b) for further details. Upon completion of the disposal, CMF and its subsidiaries became associates of the Group.

On 11 April 2011, the Group entered into a subscription agreement to subscribe for 351,062 preference shares of Xinya Media Private Limited (“Xinya”) at a consideration of about US\$1,000,000 (equivalent to approximately HK\$7,769,000). After the subscription, the Group’s equity interests in Xinya increased from 18.79% to 22.27%. In November 2011, Xinya entered into an agreement with a media group in the Anhui Province, PRC, to swap programs and bring in advertising benefits as a stepping stone to develop internet protocol television in entering PRC market. However, due to unsatisfactory income and the high costs for exploring the market and its operations, Xinya experienced cash flow problem. The shareholders failed to agree on the development plan and the funding arrangement of Xinya. On 30 April 2012, its shareholders passed a resolution for creditors’ voluntary winding up of Xinya. A liquidator has been appointed to wind up its affairs. As a result, an impairment loss of HK\$27,104,474 was provided on the Group’s interests in Xinya for the year ended 31 March 2012.



## Notes to the Financial Statements

31 March 2013

### 23. INTERESTS IN ASSOCIATES (Continued)

The summarised financial information in respect of the Group's associates is set out below:

	<b>2013</b>	2012
	<b>HK\$</b>	HK\$
Total assets	<b>133,689,779</b>	41,381,413
Total liabilities	<b>(49,423,586)</b>	(37,266,514)
Net assets	<b>84,266,193</b>	4,114,899
Group's share of net assets of associates	<b>37,745,060</b>	916,388
	<b>2013</b>	2012
	<b>HK\$</b>	HK\$
Total revenue	<b>17,949,625</b>	39,012,406
Total expenses	<b>(27,202,642)</b>	(73,496,270)
Net losses	<b>(9,253,017)</b>	(34,483,864)
Group's share of losses of associates ( <i>note</i> )	<b>(4,251,761)</b>	(8,905,212)

*Note:*

Included in the Group's share of losses of associates for the year 31 March 2013 was the share of results of CMF during August 2012 to March 2013 during which the equity interests in CMF was accounted as an associate.

Included in the Group's share of losses of associate for the year 31 March 2012 was the share of results of CMF during April 2011 to December 2011 during which the equity interests in CMF was accounted for as associate. Please refer to note 42(b) for details.

# Notes to the Financial Statements

31 March 2013

## 24. INTERESTS IN JOINTLY CONTROLLED ENTITIES

The jointly controlled entities, which are principally engaged in the provision of copyright licence fees settlement and collection services, were accounted for using proportionate consolidation. Since the Group obtain control over these entities on 11 January 2013 (see note 42(a)), these jointly controlled entities have become subsidiaries of the Group.

The following amounts have been proportionate consolidated in the consolidated statement of financial position and consolidated statement of comprehensive income relating to these jointly controlled entities as at and for the years ended 31 March 2013 and 2012:

	<b>2013</b> <b>HK\$</b>	2012 HK\$
Non-current assets	-	81,971,977
Current assets	-	65,929,031
Current liabilities	-	(126,803,467)
Non-current liabilities	-	(16,202,621)
<b>Net assets</b>	<b>-</b>	<b>4,894,920</b>
Income	<b>8,547,591</b>	11,739,722
Expenses	<b>(11,938,359)</b>	(37,088,075)
Loss before income tax (expense)/credit	<b>(3,390,768)</b>	(25,348,353)
Income tax (expense)/credit	<b>(135,748)</b>	3,688,244
<b>Loss after income tax (expense)/credit</b>	<b>(3,526,516)</b>	<b>(21,660,109)</b>

## Notes to the Financial Statements

31 March 2013

### 24. INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

Details of these jointly controlled entities (before they are accounted for as subsidiaries) are as follows:

Name	Percentage of ownership interest indirectly held
天合文化集團有限公司	50%
福建天合文化傳播有限公司	25.5%
浙江天合文化發展有限公司	25.5%
安徽天合文化有限公司	25.5%
北京天合新紀元文化有限公司	25.5%
天津天合新紀元文化傳播有限公司	37.8%
山東天合世紀文化傳播有限公司	50%
北京天合傳媒網絡有限公司	50%
湖南天合世嘉文化有限公司	37.8%
上海天合文化傳播有限公司	25.5%
遼寧天合文化有限公司	28%
湖北天合文化發展有限公司	25.5%
河南天合文化有限公司	25.5%
海南天合傳美文化有限公司	25.5%
重慶天合世紀文化傳媒有限公司	25.5%
黑龍江天合世紀文化有限公司	38%
四川天合文化有限公司	25.1%
山西天合文化傳播有限公司	25.5%
雲南天合世紀文化傳播有限公司	25.5%
吉林天合世嘉文化有限公司	50%
貴州天合陽光文化有限公司	25.5%
陝西天合陽光文化傳播有限公司	50%
寧夏天合文化有限公司	50%
江蘇天合新紀元文化有限公司	37.8%
江西天合新紀元文化有限公司	25.5%
廣州天合文化發展有限公司	25.5%
新疆天合文化有限公司	25.5%
廣西天合世紀文化有限公司	25.5%
甘肅天合文化有限公司	50%
青海天合文化有限公司	25.5%
內蒙古天合文化有限公司	25.5%
河北天人合文化有限公司	25.5%

## Notes to the Financial Statements

31 March 2013

## 25. AVAILABLE-FOR-SALE INVESTMENTS

	<b>2013</b>	2012
	<b>HK\$</b>	HK\$
Listed securities in Hong Kong, at fair value ( <i>note (a)</i> )	<b>75,318,757</b>	85,890,330
Contingent consideration in related to acquisition of subsidiaries ( <i>note (b), 42(c)</i> )	<b>101,539,185</b>	98,747,593
	<b>176,857,942</b>	184,637,923

## Notes:

- (a) Available-for-sale investments at 31 March 2013 represented 12.27% (2012: 12.27%) and 0.1% (2012: 0.1%) equity interests in Cosmopolitan International Holdings Limited ("Cosmopolitan") and Brockman Mining Limited ("Brockman") (formerly known as "Wah Nam International Holdings Limited") held by the Group respectively. Both companies are listed on the Main Board of the Stock Exchange. As at 31 March 2013, the carrying amounts of available-for-sale investments in Cosmopolitan and Brockman were HK\$72,303,237 (2012: HK\$82,425,690) and HK\$3,015,520 (2012: HK\$3,464,640) respectively.

During the year ended 31 March 2013, the change in fair value on the available-for-sale investments of the Group amounted to HK\$10,571,573 (2012: HK\$102,176,062) was recognised in equity as investment revaluation reserve and reclassified to profit or loss as the Directors considered the decline in fair value constituted objective evidence of impairment.

The fair values of listed equity investments are based on quoted market prices.

As at 31 March 2012, 4.98% equity interests in Cosmopolitan with carrying amount of HK\$33,459,000 were pledged to an independent third party as security for other borrowings granted to the Group (*note 35(c)*).

- (b) The contingent consideration in relation to acquisition of subsidiaries as disclosed in *note 42(c)* was secured by 40% equity interests of Elite-China which was held by FeiFan Cultural Development Limited, a non-controlling interest of the Group's subsidiaries.

The contingent consideration of RMB82,000,000 (equivalent to HK\$101,539,185 as at 31 March 2013 and HK\$98,747,593 as at 31 March 2012) related to acquisition of subsidiaries was valued at 31 March 2013 and 2012 on option pricing model basis by Savills, an independent professional valuer, and the fair value is not significantly different from the one measured at the date of acquisition.

# Notes to the Financial Statements

31 March 2013

## 26. DEFERRED EXPENDITURE

### Group

HK\$

#### Cost

At 1 April 2011	205,827,156
Additions	27,181,997

At 31 March 2012 and 1 April 2012	233,009,153
Additions	8,048,839

At 31 March 2013	241,057,992
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#### Accumulated amortisation and impairment

At 1 April 2011	172,759,710
Amortisation for the year	43,975,801

At 31 March 2012 and 1 April 2012	216,735,511
Amortisation for the year	11,306,375

At 31 March 2013	228,041,886
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#### Carrying amount

At 31 March 2013	13,016,106
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At 31 March 2012	16,273,642
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	<b>2013</b>	2012
	<b>HK\$</b>	HK\$
Shown in the consolidated statement of financial position as:		
Deferred expenditure – current portion		
(to be amortised within one year)	<b>9,825,808</b>	11,710,428
Deferred expenditure – non-current portion	<b>3,190,298</b>	4,563,214
	<b>13,016,106</b>	16,273,642

## Notes to the Financial Statements

31 March 2013

### 26. DEFERRED EXPENDITURE (Continued)

During the years ended 31 March 2013 and 2012, the Group entered into cooperation agreements with various copyright holders for the business of collecting license fees from karaoke operators in PRC for their use of licensed audio-visual works on behalf of the copyright holders.

As a condition of the agreements, the Group advanced the sum of HK\$8,048,839 during the year ended 31 March 2013 (2012: HK\$27,181,997) to the copyright holders as their guaranteed share of the expected profit on license fees that will be earned.

The recoverable amount of the deferred expenditure has been determined by the value-in-use calculation, which was also used for the impairment testing of goodwill in connection with the CGU of provision of intellectual property enforcement services. Details of the calculation are disclosed in note 20(a). At the end of the reporting period, management of the Group determined that there was no impairment of the deferred expenditure as the recoverable amount exceeded its carrying amount.

The Group has also committed to make further payments to the copyright holders as their guaranteed share of the expected profit on license fees as follows:

	<b>2013</b> <b>HK\$</b>	2012 <i>HK\$</i>
Year ended 31 March 2013	–	7,120,000
Year ending 31 March 2014	<b>3,244,301</b>	5,000,000
Year ending 31 March 2015	<b>6,191,414</b>	–

## Notes to the Financial Statements

31 March 2013

### 27. CONVERTIBLE LOAN NOTE

On 22 February 2012, the Group acquired the convertible notes with a principal amount of HK\$6,200,000 issued by CMF through unconditional mandatory offer to acquire all of the outstanding convertible loan notes issued by CMF. Since cessation of elimination of convertible loan notes at consolidation level due to disposal of CMF during the year ended 31 March 2012, the convertible loan notes was initial recognised as at 3 August 2012 of the consolidated financial statements.

The convertible loan notes with a principal amount of HK\$6,200,000 with a term of three years from 25 September 2008 and zero coupon rate. The convertible loan notes are convertible into shares of CMF at the initial conversion price of HK\$0.125 per share at any time after the date of issue and before maturity date.

Pursuant to CMF's circular dated 12 August 2009, the terms and conditions of the convertible loan notes were altered whereby the maturity date shall be the fifth anniversary of the date of issue instead of the third anniversary of the date of issue, and there shall be a mandatory conversion of any outstanding amount of convertible loan notes into CMF's ordinary shares at HK\$0.239 per share. As at 31 March 2013, the conversion price was HK\$0.487 per share.

As the convertible loan notes are mandatorily convertible at maturity, it is an equity instrument which is designated as available-for-sale financial asset and measured at fair value.

### 28. INVENTORIES

	Group	
	2013 HK\$	2012 HK\$
Food and beverages	25,585,378	23,099,398
Artwork	6,540,044	895,717
	<b>32,125,422</b>	23,995,115

## Notes to the Financial Statements

31 March 2013

## 29. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013 HK\$	2012 HK\$	2013 HK\$	2012 HK\$
Amount due from a related company (note (a))	26,200,000	26,200,000	-	-
Impairment loss	(26,200,000)	(26,200,000)	-	-
	-	-	-	-
Trade debtors (note (b), (c))	53,904,932	73,037,296	-	-
Deposits, prepayments and other receivables	75,037,655	45,711,611	2,787,733	72,437
Bank deposit pledged for bank loan	-	3,700,830	-	-
Loan receivables (note (d))	22,500,000	88,500,000	-	-
	151,442,587	210,949,737	2,787,733	72,437

## Notes:

- (a) Amount due from a related company of the Group (before impairment loss) disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:

	Balance of the outstanding amount, before impairment HK\$
At 31 March 2013	26,200,000
At 1 April 2012	26,200,000
Maximum balance outstanding during the year	26,200,000

Pursuant to a loan agreement dated 4 July 2007 between (i) Well Allied, a subsidiary of the Company; and (ii) PLD International Company Limited ("PLD"), Well Allied agreed to advance a loan of HK\$9 million to PLD at the interest rate of 8% per annum and repayable within 1 year from the date of the loan agreement. On 9 May 2008, Well Allied entered into another loan agreement with PLD and agreed to advance another loan of HK\$17.2 million to PLD at the interest rate of 5.25% per annum and repayable within 1 year from the date of loan agreement.

Two Directors of Well Allied, Mr. Lee Tien-Yung and Mr. Philip Lu Yueh-Wei, have beneficial interests in PLD. As both of the loans were past due at March 2009, they were fully impaired as at 31 March 2010.



## Notes to the Financial Statements

31 March 2013

### 29. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

- (b) Included in trade and other receivables are trade debtors with the following ageing analysis as of the end of reporting period.

	Group	
	2013 HK\$	2012 HK\$
Current (note (i))	28,131,248	22,651,562
Less than 1 month past due	6,283,158	936,665
1 to 3 months past due	63,088	7,890,033
4 to 12 months past due	1,828,399	663,943
More than 12 months past due	17,599,039	40,895,093
Amount past due at the end of reporting period but not impaired (note (ii))	25,773,684	50,385,734
	<b>53,904,932</b>	73,037,296

Notes:

- (i) The balances that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.
- (ii) The balances that were past due but not impaired relate to number of customers that have good track record with the Group. In particular, included in the amount with more than 12 months past due was an amount of HK\$17,574,816 in connection with the provision of karaoke music product copyright licence fees settlement and collection services. As further explained in note 42(a), final decision of the arbitration was made and the settlement of outstanding balances was in progress during the year ended 31 March 2013. The Directors of the Company expect that the remaining outstanding balances will be settled progressively in future.
- Based on past experience, management estimated that the carrying amounts of the balances past due could be fully recovered.
- (iii) The Group generally grants no credit period to its customers, except for transactions with customers in exhibition-related services, in which credit period ranging from 30 to 60 days is granted.
- (c) The ageing analysis of trade receivables based on invoice date before impairment loss is as follows:

	Group	
	2013 HK\$	2012 HK\$
Within 90 days	34,477,494	31,478,260
91 days to 365 days	1,828,399	663,943
More than 365 days	17,599,039	40,895,093
	<b>53,904,932</b>	73,037,296

The below table reconciles the impairment loss of trade receivables for the year:

	Group	
	2013 HK\$	2012 HK\$
At 1 April	3,665,003	3,665,003
Impairment loss recognised	5,037,349	-
At 31 March	<b>8,702,352</b>	3,665,003

The Group and the Company recognised impairment loss on individual assessment based on the accounting policy stated in note 4(l)(ii).

## Notes to the Financial Statements

31 March 2013

## 29. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(d) Loan receivables presented:

	<b>Group</b>	
	<b>2013</b>	2012
	<b>HK\$</b>	<b>HK\$</b>
Loan to an independent third party (note (i))	<b>22,500,000</b>	50,000,000
Loans to non-controlling shareholders		
– advances to Media Sound Technology Limited (“Media Sound”) (note (ii))	–	30,000,000
– advances to Long Sincere International Limited (“Long Sincere”) (note (iii))	–	8,500,000
	<b>22,500,000</b>	<b>88,500,000</b>

(i) It represented advances to an independent third party. On 25 May 2011, the Group and the independent third party entered into the loan agreement in which the Group agreed to advance to the independent third party a loan in the principal amount of HK\$50,000,000. The loan is secured by 50,000,000 ordinary shares of Brockman. The loan bears an effective interest rate of 5% per annum and shall be repayable in 12 months from the date of advance. The full amount of loan was repaid on 25 May 2012.

On 25 May 2012, the Group and the aforesaid independent third party entered into another loan agreement in which the Group agreed to advance to the independent third party a loan in the principal amount of HK\$22,500,000. The loan is secured by 50,000,000 ordinary shares of Brockman. The loan bears an effective interest rate of 8% per annum and shall be repayable in 12 months from the date of advance.

On 24 May 2013, a supplemental loan agreement was entered into by the Group and the independent third party to extend the repayment date of the loan from 25 May 2013 to 25 November 2013. Please refer to note 51(d) for details.

(ii) On 17 October 2011, the Group and Media Sound, a non-controlling shareholder of a subsidiary of the Group, entered into the loan agreement in which the Group agreed to advance to Media Sound a loan in the principal amount of HK\$30,000,000. The loan is secured by 19.2% of the entire shareholdings of Song Labs, a subsidiary of the Group, owned by Media Sound at the date of agreement. The loan bears an effective interest rate of 5% per annum and shall be repayable in 12 months from the date of advance. On 30 January 2013, the Group acquired Media Sound and Media Sound became a subsidiary of the Company (see note 44 (a)). The aforesaid loan was eliminated in full in preparing the consolidated statement of financial position as at 31 March 2013.

(iii) On 8 July 2011 and 9 September 2011, the Group and Long Sincere, a non-controlling shareholder of a subsidiary of the Group, entered into two loan agreement in which the Group agreed to advance to Long Sincere loans in the total principal amount of HK\$8,500,000. The loans are secured by 20 ordinary shares of Welly Champ, a subsidiary of the Group which is disclosed in note 22, owned by Long Sincere. The loan bears an effective interest rate of 5% per annum and shall be repayable in 12 months from the date of advance.

As further described in note 44(b), the Company acquired 10 shares of US\$1 each representing 4.235% of the issued share capital of, and the benefit of 50% of all amounts as at the completion date due from, Welly Champ for an aggregate consideration of HK\$9 million in cash and the total principal amount of HK\$8,500,000 was set off as part of the consideration on 30 April 2012.

## Notes to the Financial Statements

31 March 2013

### 30. AMOUNTS DUE FROM/TO NON-CONTROLLING SHAREHOLDERS AND RELATED PARTIES

At 31 March 2013, all amounts due from/to non-controlling shareholders and related parties were unsecured, interest-free and payable on demand, except for the followings:

- Amounts due to non-controlling shareholders of HK\$7,954,800 (2012: HK\$10,397,000) which borne interest at 5% to 6.39% (2012: 5% to 6.34%) per annum;
- An amount due from a related party of HK\$8,882,000 as at 31 March 2012 which borne effective interest rate at 5.18% per annum (note 49(c)) was repaid during the year ended 31 March 2013.
- Upon acquisition of the Elite Group (as defined in note 42(c)) on 8 July 2011, the amount due from related parties and the amounts due to related parties were HK\$8,544,402 and HK\$42,226,418 respectively which represented advances to/from the Elite Group from/to Yang Lei (including his spouse and certain related companies controlled by Yang Lei), a Director of certain subsidiaries of the Company. On 6 July 2012, the Elite Group received a confirmation from Yang Lei and his associates to offset the current accounts with those related parties. During the year, certain settlements with Yang Lei and his associates were made through current accounts and as at 31 March 2013, the net amounts due from such related parties was HK\$1,225,355 (2012: HK\$17,538,001).

### 31. CASH AND BANK BALANCES

	Group		Company	
	2013 HK\$	2012 HK\$	2013 HK\$	2012 HK\$
Cash and cash equivalents	<b>145,991,082</b>	190,176,622	<b>35,869,149</b>	11,033,525
Restricted cash at banks held by subsidiaries (note (a))	<b>41,765,008</b>	-	-	-
Restricted cash at banks held by joint controlled entities (note (b))	-	51,117,121	-	-
	<b>187,756,090</b>	241,293,743	<b>35,869,149</b>	11,033,525

Notes:

- (a) Restricted cash at banks held by subsidiaries represented cash at banks held by the Group's subsidiaries for license fees collection services withdrawal of which is subject to joint approval by Tian He, a subsidiary as at 31 March 2013, and the China Audio-Video Copyright Association. During the year ended 31 March 2013, the arbitration proceedings were settled and Tian He and its subsidiaries became subsidiaries of the Company (see note 42(a)). Despite the above, the joint approval is still required for the withdrawal of the licence fees collected from the banks.
- (b) Restricted cash at banks held by joint controlled entities represented cash at banks held by the Group's joint controlled entities for license fees collection services withdrawal of which is subject to joint approval by Tian He, one of the jointly controlled entities as at 31 March 2012, and the China Audio-Video Copyright Association. During the year ended 31 March 2012, no cash at banks held by the joint controlled entities were withdrawn by the then jointly controlled entities as the arbitration proceedings mentioned in note 42(a) were still in progress.
- (c) At 31 March 2013, cash and bank balances of the Group denominated in RMB amounted to HK\$124,242,712 (2012: HK\$103,337,947). RMB is not freely convertible into other currencies. However, under 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.

## Notes to the Financial Statements

31 March 2013

## 32. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

	Group	
	2013 HK\$	2012 HK\$
Leasehold land and buildings ( <i>note (a)</i> )	–	34,600,000
Investment properties ( <i>note (a)</i> )	–	66,389,565
Assets related to subsidiaries engaged in entertainment business ( <i>note (b)</i> )	<b>1,083,609</b>	1,086,211
Assets classified as held for sale	<b>1,083,609</b>	102,075,776
Liabilities related to a subsidiary engaged in entertainment business ( <i>note (b)</i> )	<b>545,486</b>	448,581
Liabilities associated with assets classified as held for sale	<b>545,486</b>	448,581
Gain on revaluation of properties	–	25,130,925
Cumulative other comprehensive income relating to non-current assets/disposal group classified as held for sale	–	25,130,925

- (a) During the year ended 31 March 2011, the Group intended to dispose of a piece of leasehold land and buildings with carrying amount of HK\$34,600,000 which was previously occupied for the Group's wedding services business, and an investment property with carrying amount of HK\$55,400,000 as at 31 March 2011 (the "Properties"). The Properties were classified as assets held for sale. On 10 June 2011, the Group entered into a provisional sale and purchase agreement with an independent third party for the disposal of the Properties at an aggregate consideration of HK\$108,000,000. However, the provisional sale and purchase agreement was cancelled by another agreement between the Group and the independent third party on 4 July 2011. Subsequently, the Group entered into another provisional sale and purchase agreement on 24 November 2011 with another independent third party for the disposal of the Properties at an aggregate consideration of HK\$101 million. The carrying amount of the investment property, which is measured at fair value, was HK\$62,210,435 as at 31 March 2012. The transaction was completed on 30 April 2012.

## Notes to the Financial Statements

31 March 2013

### 32. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE (Continued)

(a) (Continued)

Furthermore, on 7 February 2012, the Group entered into a provisional sale and purchase agreement for a disposal of an investment property with carrying amount of HK\$6,800,000 as at 31 March 2012 at a consideration of HK\$6,800,000 and accordingly, the investment property was classified as asset held for sale. The transaction was completed on 20 April 2012.

Deferred tax liabilities previously classified as liabilities associated with assets held for sale were credited to profit or loss as the expected tax to be paid in respect of the disposal of the assets held for sale is nil.

(b) The Group is currently under negotiation with a non-controlling shareholder to dispose of its 60% equity interests of CML, a subsidiary of the Group accounted for under the entertainment segment, at a cash consideration of HK\$15,000,000. Time required for the completion of the disposal is longer than originally expected by the Directors, as extended time is needed for the non-controlling shareholder to arrange finance to satisfy the consideration. The Directors of the Company anticipate that the disposal will be completed within twelve months from the end of the reporting period. The following major classes of assets and liabilities relating to this subsidiary have been classified as held for sale in the consolidated statement of financial position.

	<b>2013</b> <b>HK\$</b>	2012 HK\$
Property, plant and equipment	<b>31,346</b>	24,532
Trade and other receivables	<b>48,511</b>	33,890
Cash and cash equivalents	<b>1,003,752</b>	1,027,789
<b>Assets classified as held for sale</b>	<b>1,083,609</b>	1,086,211
Trade and other payables	<b>545,486</b>	448,581
<b>Liabilities classified as held for sale</b>	<b>545,486</b>	448,581

## Notes to the Financial Statements

31 March 2013

## 33. TRADE AND OTHER PAYABLES

	Group		Company	
	2013 HK\$	2012 HK\$	2013 HK\$	2012 HK\$
Trade creditors	15,468,504	41,643,988	-	-
Other payables and accruals	72,732,857	87,588,914	777,958	1,779,320
Deposits received from disposal of assets held for sale	-	10,836,000	-	-
Other deposits received	10,404,522	9,569,630	-	-
	<b>98,605,883</b>	149,638,532	<b>777,958</b>	1,779,320

Included in trade and other payables are trade creditors with the following ageing analysis as of the end of reporting period:

	Group		Company	
	2013 HK\$	2012 HK\$	2013 HK\$	2012 HK\$
Current or within 30 days	5,835,543	10,372,855	-	-
31 to 60 days	1,421,808	4,905,551	-	-
61 to 90 days	1,953,243	2,702,244	-	-
Over 90 days	6,257,910	23,663,338	-	-
	<b>15,468,504</b>	41,643,988	-	-

Trade and other payables are expected to be settled within one year.

## 34. BANK BORROWINGS

	Group		Company	
	2013 HK\$	2012 HK\$	2013 HK\$	2012 HK\$
Secured:				
Bank borrowings (note (a))	102,901,297	82,528,509	-	-
Bank overdrafts (note (b))	-	29,210,909	-	29,210,909
	<b>102,901,297</b>	111,739,418	-	29,210,909

## Notes to the Financial Statements

31 March 2013

### 34. BANK BORROWINGS (Continued)

At the end of reporting period, the bank borrowings were repayable as follows:

	Group		Company	
	2013 HK\$	2012 HK\$	2013 HK\$	2012 HK\$
Borrowings repayable:				
Within one year	102,901,297	100,883,650	–	29,210,909
More than one year, but not exceeding two years	–	10,855,768	–	–
More than two years, but not exceeding five years	–	–	–	–
After five years	–	–	–	–
	<b>102,901,297</b>	111,739,418	–	29,210,909
Less: Amount due within one year included in current liabilities	<b>(102,901,297)</b>	(100,883,650)	–	(29,210,909)
Amount due after one year	–	10,855,768	–	–

*Notes:*

- (a) Personal and corporate guarantees were given to banks for certain bank loans by Yang Lei, a Director of certain subsidiaries of the Company, and a related company, which is beneficially owned by Yang Lei and his spouse. Bank deposits as at 31 March 2012 in note 29 was pledged. Further, personal assets of Yang Lei have been pledged to secure the bank loans. The interest rate is 6.72%-17.64% (2012: 7.83%-12.34%) per annum.
- (b) Bank overdrafts are secured by the Properties which are included in assets held for sale (note 32) with carrying amount of HK\$90,000,000 as at 31 March 2012. In addition, the Company has guaranteed a subsidiary's bank overdrafts up to HK\$2,000,000. The interest rate is 2% per annum.

# Notes to the Financial Statements

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## 35. OTHER BORROWINGS

	Group		Company	
	2013 HK\$	2012 HK\$	2013 HK\$	2012 HK\$
Promissory notes, unsecured ( <i>note (a)</i> )	<b>34,125,098</b>	–	<b>34,125,098</b>	–
Other loan, unsecured ( <i>note (b)</i> )	<b>12,382,827</b>	–	–	–
Other loan, secured ( <i>note (c)</i> )	–	19,000,000	–	19,000,000
	<b>46,507,925</b>	19,000,000	<b>34,125,098</b>	19,000,000

- (a) As described in note 44(a), as a part of the consideration of the acquisition of Media Sound, the Company issued promissory notes with an aggregate principal amount of HK\$37,190,500 and fair value of HK\$33,510,000. The promissory notes were unsecured, non-interest bearing and due on 19 January 2014.

Movement of promissory notes is as follows:

	2013 HK\$	2012 HK\$
At 1 April	–	–
Issue of promissory notes	<b>33,510,000</b>	–
Imputed interest expenses	<b>615,098</b>	–
At 31 March	<b>34,125,098</b>	–

- (b) On 1 February 2013, the Group entered into an agreement with an independent third party to borrow a loan of HK\$12,382,827. The loan will mature on 31 January 2014. The effective interest rate is 10% per annum.
- (c) On 30 January 2012, the Group entered into an agreement with an independent third party to borrow a loan of HK\$19,000,000. The loan was mature on 30 May 2012. The effective interest rate is 12% per annum. During the year ended 31 March 2013, the loan was repaid in full.

The loan was secured by 587,000,000 ordinary shares of Cosmopolitan with carrying amount of HK\$33,459,000 which are classified as available-for-sale investments (note 25(a)) and a personal guarantee is given by Cheng Yang, a Director of the Company.



## Notes to the Financial Statements

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### 36. CONVERTIBLE BONDS

On 29 December 2011, the Company issued convertible bonds with principal amount of HK\$75,000,000 to Wingo Consultants Limited, a wholly owned subsidiary of Eternity. The convertible bonds bear interest at a rate of 12% per annum and carry a right to convert the principal amount into shares of HK\$0.05 each in the share capital of the Company at an initial conversion price of HK\$0.08 per share (subject to adjustment) during the period from 29 December 2011 to 29 December 2012. The conversion price was subject to adjustment on the occurrence of dilutive or concentrative event. The Company may at any time before the maturity date redeem the convertible bonds at par with accrued interest. Any amount of the convertible bonds which remains outstanding on the maturity date will be redeemed at their then outstanding principal amount together with interest as accrued thereon.

The convertible bonds contain two components: liability and equity components. The equity component is presented in equity heading "convertible bonds reserve" in note 40. The effective interest rate of the liability component on initial recognition is 18% per annum.

The convertible bonds recognised in the consolidated statement of financial position are as follows:

	<b>Group and Company</b>
	2012
	HK\$
Face value of convertible bonds at 29 December 2011	75,000,000
Equity component	(3,813,559)
	<hr/>
Liability component on initial recognition	71,186,441

On 28 May 2012 and 3 August 2012, the Company early redeemed the total principal amount of HK\$75,000,000 at an aggregate consideration of HK\$79,876,274 and incurred a loss of HK\$1,742,037. An amount of HK\$3,813,559 originally recognised in convertible bonds reserve was transferred to accumulated losses upon redemption of the convertible bonds.

The movements of the liability component of the convertible bonds for the year are set out below:

	<b>2013</b>	2012
	<b>HK\$</b>	HK\$
At 1 April	<b>74,477,355</b>	–
Convertible bonds issued	–	71,186,441
Effective interest expense	<b>3,656,882</b>	3,290,914
Redemption	<b>(78,134,237)</b>	–
	<hr/>	<hr/>
At 31 March	–	74,477,355

# Notes to the Financial Statements

31 March 2013

## 37. PROVISION FOR LONG SERVICE PAYMENTS

The Group has recorded provision for long service payment obligations for employees. Under the Hong Kong Employment Ordinance, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Group. The amount payable is dependent on the employees' final salary and year of service, and is reduced by entitlements accrued under the Group's retirement plans that are attributable to contributions made by the Group. The Group does not set aside any assets to fund any remaining obligations.

Movement in provision for long service payments is as follows:

	Group	
	2013 HK\$	2012 HK\$
At 1 April	224,689	42,373
Acquisition of subsidiaries ( <i>note 42(e)</i> )	–	55,363
Amounts charged to profit or loss	–	126,953
Disposal of subsidiaries ( <i>note 43(b)</i> )	<b>(182,316)</b>	–
At 31 March	<b>42,373</b>	224,689

## 38. DEFERRED TAXATION

### Group

The movements on the net deferred tax liabilities during the year are as follows:

	Group	
	2013 HK\$	2012 HK\$
At 1 April	64,317,850	59,197,705
Tax arising from acquisition of subsidiaries ( <i>note 42(a), (c), (e)</i> )	<b>(7,869,586)</b>	10,012,452
Tax credited to profit or loss ( <i>note 13</i> )	<b>(4,580,873)</b>	(4,950,325)
Tax charged to other comprehensive income ( <i>note 17</i> )	<b>365,025</b>	58,018
At 31 March	<b>52,232,416</b>	64,317,850

## Notes to the Financial Statements

31 March 2013

### 38. DEFERRED TAXATION (Continued)

#### Group (Continued)

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. At 31 March 2013, the Group had estimated unutilised tax losses of HK\$346,334,515 (2012: HK\$231,183,000). A deferred tax has been recognised in respect of HK\$42,208,176 (2012: HK\$22,828,833) of such losses. It is mainly attributable to the future benefit of tax losses arising from the property investment segment which the availability of future taxable profits against which the assets can be utilised is certain at the end of reporting period. No deferred tax assets have been recognised in respect of the remaining tax losses due to unpredictability of future profit streams. The tax losses of HK\$36,132,027 (2012: HK\$22,828,833) can be carried forward indefinitely and the tax losses of HK\$6,076,149 (2012: nil) will be expired in five years.

In addition to the amount charged/credited to the profit or loss, deferred tax relating to the revaluation and disposal of the Group's certain leasehold land and buildings during the year has been recognised in other comprehensive income.

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxable entity) during the year is as follows:

Deferred tax assets	Group	
	Tax losses	
	2013	2012
	HK\$	HK\$
At 1 April	3,766,757	3,980,089
Acquisition of subsidiaries	8,466,344	137,375
Credited/(charged) to profit or loss	(2,390,195)	(350,707)
At 31 March	9,842,906	3,766,757

## Notes to the Financial Statements

31 March 2013

## 38. DEFERRED TAXATION (Continued)

## Group (Continued)

Deferred tax liabilities	Group							
	Property revaluation		Accelerated accounting depreciation		Intangible assets		Total	
	2013 HK\$	2012 HK\$	2013 HK\$	2012 HK\$	2013 HK\$	2012 HK\$	2013 HK\$	2012 HK\$
At 1 April	1,171,587	1,635,913	37,862,042	34,431,544	29,050,978	27,110,337	68,084,607	63,177,794
Acquisition of subsidiaries	-	-	-	3,812,177	596,758	6,337,650	596,758	10,149,827
Credited to profit or loss	-	(522,344)	(3,497,391)	(381,679)	(3,473,677)	(4,397,009)	(6,971,068)	(5,301,032)
Charged to other comprehensive income	365,025	58,018	-	-	-	-	365,025	58,018
At 31 March	1,536,612	1,171,587	34,364,651	37,862,042	26,174,059	29,050,978	62,075,322	68,084,607

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to income tax levied by same taxation authority on the same taxable entity. The following amounts, determined after appropriate offsetting, are shown in the Group's consolidated statement of financial position:

	Group	
	2013 HK\$	2012 HK\$
Deferred tax assets	-	-
Deferred tax liabilities	52,232,416	64,317,850
	52,232,416	64,317,850

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is HK\$14,792,843 (2012: HK\$11,805,340). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not be reversed in the foreseeable future.

## Company

At 31 March 2013, the Company had estimated unutilised tax losses of HK\$79,576,000 (2012: HK\$60,016,000). No deferred tax assets have been recognised in respect of the tax losses due to unpredictability of future profit streams.

# Notes to the Financial Statements

31 March 2013

## 39. SHARE CAPITAL

### (a) Authorised and issued share capital

	2013		2012	
	Number of shares	HK\$	Number of shares	HK\$
<b>Authorised:</b>				
Ordinary shares of HK\$0.05 each				
At the beginning and end of the year	20,000,000,000	1,000,000,000	20,000,000,000	1,000,000,000
<b>Issued and fully paid:</b>				
Ordinary shares of HK\$0.05 each				
At beginning of the year	11,975,340,940	598,767,047	10,221,831,392	511,091,570
Subscription of new ordinary shares (note 42(e))	-	-	416,666,666	20,833,333
New shares issued for acquisition of subsidiaries in respect of:				
– CRA Group (note 42(e))	-	-	916,666,667	45,833,333
– BoRen Group (note 42(c))	-	-	420,176,215	21,008,811
Capital reorganisation (note (i))	(11,376,573,893)	(568,828,695)	-	-
At the end of the year	598,767,047	29,938,352	11,975,340,940	598,767,047

Note:

- (i) On 17 October 2012, a capital reorganisation became effective in which every twenty issued and unissued shares of HK\$0.05 each in the share capital of the Company was consolidated (the "Share Consolidation") into one consolidated share of HK\$1.00 (the "Consolidated Share"). Following the Share Consolidation, the issued and paid up share capital was reduced (the "Capital Reduction") by cancelling the paid-up capital to the extent of HK\$0.95 on each issued Consolidated Share so that each issued Consolidated Share of HK\$1 each of the Company be treated as one fully paid-up new share of HK\$0.05 per value each. All amounts of cancelled issued capital shall remain part of the authorised share capital and be available for the issue of new shares by the Company. Immediately following the Capital Reduction, the Company sub-divided each of the unissued Consolidated Share of par value HK\$1.00 each into twenty new shares of HK\$0.05 each. A credit of HK\$568,828,695 arose as a result of the Capital Reduction. Such credit was applied by the Directors to set off against the accumulated losses of the Company.

### (b) Capital management policy

The Group's objectives of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising share capital and reserves.

## Notes to the Financial Statements

31 March 2013

## 40. RESERVES

## Company

	Share premium HK\$	Contributed surplus HK\$	Employee share-based compensation reserve HK\$	Convertible bonds reserve HK\$	Accumulated losses HK\$	Total HK\$
At 1 April 2011	1,825,805,591	28,784,000	3,952,277	-	(1,683,121,710)	175,420,158
Loss for the year	-	-	-	-	(267,352,402)	(267,352,402)
Subscription of new ordinary shares (note 42(e))	29,166,667	-	-	-	-	29,166,667
Issuance of ordinary shares for acquisition of subsidiaries (note 42(c), (e))	169,244,845	-	-	-	-	169,244,845
Issuance of convertible bonds (note 36)	-	-	-	3,813,559	-	3,813,559
Equity-settled share-based transactions (note 41)	-	-	1,501,001	-	-	1,501,001
At 31 March 2012 and 1 April 2012	2,024,217,103	28,784,000	5,453,278	3,813,559	(1,950,474,112)	111,793,828
Loss for the year	-	-	-	-	(21,405,326)	(21,405,326)
Equity-settled share-based transactions (note 41)	-	-	244,722	-	-	244,722
Capital reorganisation (note 39(a)(i))	-	-	-	-	568,828,695	568,828,695
Redemption of convertible bonds (note 36)	-	-	-	(3,813,559)	3,813,559	-
<b>At 31 March 2013</b>	<b>2,024,217,103</b>	<b>28,784,000</b>	<b>5,698,000</b>	<b>-</b>	<b>(1,399,237,184)</b>	<b>659,461,919</b>

# Notes to the Financial Statements

31 March 2013

## 40. RESERVES (Continued)

### Company (Continued)

The following describes the nature and purpose of each reserve within owners' equity:

Reserve	Description and purpose
<b>Company</b>	
Share premium	Amount subscribed for share capital in excess of nominal value.
Contributed surplus	The difference between the consolidated shareholders' funds of the subsidiaries at the date when they were acquired by the Company and the nominal amount of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 1991. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is available for distribution to the shareholders provided that the Company is able to meet its obligations after distribution and the net realisable value of the Company's assets would not be less than the aggregate of its liabilities, issued share capital and share premium accounts.
Employee share-based compensation reserve	Cumulative expenses recognised on the granting of share options to the employees over the vesting period.
Accumulated losses	Cumulative net losses recognised in the consolidated statement of comprehensive income.
Convertible bonds reserve	The difference between the proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the convertible bonds into equity.
<b>Group</b>	
Other reserve	The difference between the consideration and the carrying amount of the net assets attributable to the additional and reduction of interests in subsidiaries being acquired from and disposed to non-controlling equity holders respectively.
Other properties revaluation reserve	Gains/losses arising on the revaluation of the Group's leasehold land and buildings (other than investment property) (see note 17). The balance on this reserve is wholly undistributable.
Foreign exchange reserve	Gains/losses arising on retranslating the net assets of foreign operations into Hong Kong dollars.
Investment revaluation reserve	Gains/losses arising on recognising financial assets classified as available for sale at fair value.

# Notes to the Financial Statements

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## 41. SHARE OPTIONS

On 30 August 2002, the Company adopted a share option scheme (the “Old Share Option Scheme”) for the purpose of attracting and retaining quality personnel and other persons who may contribute to the business and operation of the Group. Options may be granted without any initial payment to persons including Directors, employees or consultants of the Group. Presently the maximum number of shares issuable under the Scheme is 109,588,400 shares (being 10% of the issued share capital of the Company at 30 August 2002). The maximum number of shares in respect of which options may be granted to any one person in any 12-month period is 1% of the issued share capital of the Company on the last date of such 12-month period unless with shareholders’ approval. The option period shall not be more than 10 years from the date of grant of an option, and may include a minimum period an option must be held before it can be exercised. The exercise price is the highest of (i) the nominal value of one share of the Company; (ii) the closing price per share as stated in the daily quotation sheets of the Stock Exchange on the date of the grant of the option; and (iii) the average closing price per share as stated in the Stock Exchange’s daily quotation sheets for the 5 business days immediately preceding the date of the grant of the option. The Old Share Option Scheme will remain in force until 29 August 2012.

On 29 August 2012, the Old Share Option Scheme adopted on 30 August 2002 by the Company was expired. On 30 August 2012, the Company adopted a new share option scheme (the “New Share Option Scheme”) which was approved in the Company’s annual general meeting on 29 August 2012. The New Share Option Scheme will remain in force for a period of 10 years from 30 August 2012. A summary of the rules of the New Share Option Scheme is set out in the appendix to the Company’s circular dated 20 July 2012.

On 29 July 2010, options were granted to Zheng Yuchun (“2010 Share Options”), a Director of the Company, under the Old Share Option Scheme to subscribe for up to 35,000,000 ordinary shares of the Company. The estimated fair value of the options granted on that date is approximately HK\$5,698,000.

The 2010 Share Options will continue to be valid and exercisable upon the expiry of the Old Share Option Scheme until 28 July 2020.

The fair value of the 2010 Share Options was calculated using Binominal Option Pricing Model. The inputs into the model are as follows:

	<b>2010 Share Options</b>
Grant date	29 July 2010
Grant date share price	HK\$0.2490
Exercise price	HK\$0.2620
Expected life	10 years
Expected volatility	83%
Expected dividend yield	Nil
Risk-free interest rate	2.320%



# Notes to the Financial Statements

31 March 2013

## 41. SHARE OPTIONS (Continued)

Expected volatility is determined by using the historical volatility of the Company's share price over the previous one year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

The Group recognised an expense of HK\$244,722 (2012: HK\$1,501,001) in respect of the options granted which was included in staff costs for the year.

No option was exercised and lapsed during the year ended 31 March 2013 and 31 March 2012.

The following table discloses the movements of options during the year:

### Year 2013

Date of grant	Exercisable period	Vesting period	Exercise price HK\$ (Note)	Number of shares in respect of options granted			Number of exercisable options	
				Outstanding at 1 April 2012 (Note)	Granted during the year	Lapsed during the year	Outstanding at 31 March 2013 (Note)	As at 31 March 2013 (Note)
29 July 2010	10 October 2010 – 28 July 2020	Vesting from 29 July 2010 to 1 October 2010	5.24	600,000	-	-	600,000	600,000
29 July 2010	1 July 2011 – 28 July 2020	Vesting from 29 July 2010 to 1 July 2011	5.24	600,000	-	-	600,000	600,000
29 July 2010	1 July 2012 – 28 July 2020	Vesting from 29 July 2010 to 1 July 2012	5.24	550,000	-	-	550,000	550,000
				1,750,000	-	-	1,750,000	1,750,000

## Notes to the Financial Statements

31 March 2013

## 41. SHARE OPTIONS (Continued)

## Year 2012

Date of grant	Exercisable period	Vesting period	Exercise price HK\$ (Note)	Number of shares in respect of options granted				Number of exercisable options
				Outstanding at 1 April 2011 (Note)	Granted during the year	Lapsed during the year	Outstanding at 31 March 2012 (Note)	As at 31 March 2012 (Note)
29 July 2010	10 October 2010 – 28 July 2020	Vesting from 29 July 2010 to 1 October 2010	5.24	600,000	-	-	600,000	600,000
29 July 2010	1 July 2011 – 28 July 2020	Vesting from 29 July 2010 to 1 July 2011	5.24	600,000	-	-	600,000	600,000
29 July 2010	1 July 2012 – 28 July 2020	Vesting from 29 July 2010 to 1 July 2012	5.24	550,000	-	-	550,000	-
				1,750,000	-	-	1,750,000	1,200,000

*Note:*

The exercise price for the options granted and the number of shares in respect of options granted were adjusted to reflect the share reorganisation during the year ended 31 March 2013 (see note 39(a)(i) for details). Details of the above are set out in the Company's announcement dated 16 October 2012.

## 42. ACQUISITION OF SUBSIDIARIES/BUSINESS

- (a) As disclosed in the Company's 2012 annual report, the Group had disputes with the other venturer in respect of the operations and future development of the business which the jointly controlled entities as mentioned in note 24. Following the unsuccessful discussions with the other venturer, the Group commenced arbitration proceedings in 2011 against the other venturer to claim for return of 20% equity interests in Tian He, which is the holding company of all entities engaging in the provision of copyright licence fees settlement and collection services, and damages of RMB10 million. Tian He and its subsidiaries are collectively referred to as the "Tian He Group".

The final decision of the arbitration was made on 30 July 2012, in which the other venturer shall return the 20% equity interests in Tian He within 20 days from the date of delivery of the arbitration decision. The other venturer subsequently transferred the 20% equity interests in Tian He to the Group on 29 October 2012. On 11 January 2013, the Group obtained control over the jointly controlled entities by obtaining power to cast the majority of votes at meetings of the board of Directors of Tian He, and consequently, the jointly controlled entities became subsidiaries of the Group effective 11 January 2013.

Upon completion of the acquisition, the Group's interest in jointly-controlled entities was treated as disposed of and reacquired at fair value on the date of obtaining control. As a result, the gain on re-measurement of interest in jointly controlled entities to fair value amounting to HK\$5,015,611 has been recognised and is included in other income and gains (see note 8).

## Notes to the Financial Statements

31 March 2013

### 42. ACQUISITION OF SUBSIDIARIES/BUSINESS (Continued)

(a) (Continued)

The Tian He Group is principally engaged in copyright licence fees settlement and collection services in PRC. The acquisition was made as part of the Group's strategy to develop its business in copyright licence fees settlement and collection services in PRC.

The fair values of net assets acquired at the date of acquisition are as follows:

	<i>HK\$</i>
Property, plant and equipment	3,088,872
Intangible assets – provision of copyright licence fees settlement and collection services	2,387,031
Intangible assets – golf club membership	816,523
Deferred tax assets	8,466,344
Trade and other receivables	6,187,799
Cash and cash equivalents	54,361,618
Restricted cash at banks	44,571,509
Trade and other payables	(14,841,531)
Amount due to non-controlling interests	(22,144,116)
Current tax liabilities	(304,053)
Deferred tax liabilities	(596,758)
<b>Net assets acquired</b>	<b>81,993,238</b>
Gain on a bargain purchase	(36,077,025)
<b>Total consideration</b>	<b>45,916,213</b>
<b>Satisfied by:</b>	
Fair value of non-controlling interests	17,218,580
Fair value of 50% equity interests in jointly controlled entities	28,697,633
	<b>45,916,213</b>
<b>Net cash inflow arising on acquisition:</b>	
Cash and cash equivalents acquired	54,361,618
Cash and cash equivalents originally accounted for using proportionate consolidation	(18,840,003)
	<b>35,521,615</b>

Gain on a bargain purchase of HK\$36,077,025 was recognised upon completion of the acquisition of the Tian He Group. The gain on a bargain purchase on acquisition was mainly attributable to nil consideration by the Group to further acquire 20% net assets of the Tian He Group due to the final decision of the arbitration as described above. The gain on a bargain purchase was included in other income and gains in the consolidated statement of comprehensive income (see note 8).

## Notes to the Financial Statements

31 March 2013

### 42. ACQUISITION OF SUBSIDIARIES/BUSINESS (Continued)

(a) (Continued)

The Group has engaged Savills, an independent valuer, to assess the fair value of the assets and liabilities of the Tian He Group at the date of acquisition. The fair value of property, plant and equipment and intangible assets were estimated by applying transaction approach and excess earnings approach respectively.

The fair value of trade and other receivables, equivalent to its gross contractual amount as shown above, is considered as fully recoverable.

The Group has elected to measure the non-controlling interests in the Tian He Group at acquisition-date fair value. The fair value of 30% non-controlling interests in the Tian He Group was determined by 30% of fair value of the assets and liabilities of the Tian He Group after taking into account of the lack of marketability discount at 30%.

Since its acquisition, the Tian He Group contributed revenue of HK\$5,957,463 and net loss of HK\$6,322,950 to the Group for the period from 11 January 2013 to 31 March 2013. Had the combination taken place on 1 April 2012, the revenue and the loss before income tax credit of the Group for the year ended 31 March 2013 would have been HK\$316,999,952 and HK\$94,561,114 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2012, nor intended to be a projection of future results.

- (b) On 29 March 2011, the Group acquired 12.43% equity interests in CMF, a company listed on the Growth Enterprise Market of the Stock Exchange, at a consideration of HK\$16,210,140, excluding transaction costs.

From 1 April 2011 to 7 April 2011, the Group further acquired a total of 16.65% equity interests in CMF at a total consideration of HK\$28,236,800, which increased the Group's equity interests in CMF from 12.43% to 29.08%. The gain on re-measurement of interest in available-for-sale investments to fair value amounting to HK\$6,979,802 has been recognised and is included in other income and gains (see note 8).

On 30 December 2011, the Group further acquired a total of 45.88% equity interests in CMF for a total consideration of HK\$81,200,000, which increased the Group's equity interests in CMF from 29.08% to 74.96%, from which the Group has obtained control over CMF. The gain on re-measurement of interests in associates to acquisition-date fair value amounting to HK\$5,278,168 has been recognised and is included in other income and gains (see note 8).

On the close of a general offer made by the Group on 2 March 2012, the Group further acquired a total of 5.33% equity interests in CMF at a total consideration of HK\$9,441,606. On 8 March 2012, the Group placed about 5.34% equity interests in CMF to independent third parties and reduced the Group's equity interests in CMF to about 74.95%.

## Notes to the Financial Statements

31 March 2013

### 42. ACQUISITION OF SUBSIDIARIES/BUSINESS (Continued)

(b) (Continued)

CMF is principally engaged in artist management and film production in Hong Kong and PRC. The acquisition was made as part of the Group's strategy to expand its market share of entertainment business in Hong Kong and PRC.

The fair values of net assets acquired at the date of acquisition are as follows:

	HK\$
Property, plant and equipment	363,620
Intangible assets – film rights and films in progress	1,601,640
Trade receivables	1,299,580
Deposits, prepayments and other receivables	8,705,830
Cash and bank balances	97,557,977
Bank overdrafts	(360)
Trade payables	(10,871)
Accruals and other payables	(3,740,721)
Receipts in advance	(6,250,501)
Liability component of convertible loan notes	(4,950,571)
	94,575,623
Non-controlling interests	(45,566,333)
<b>Net assets acquired</b>	<b>49,009,290</b>
Goodwill ( <i>note 20(e)</i> )	84,078,892
<b>Total consideration</b>	<b>133,088,182</b>
<b>Satisfied by:</b>	
Cash	81,200,000
Interests in associates	51,888,182
	133,088,182
<b>Net cash (outflow)/inflow arising on acquisition:</b>	
Cash consideration paid	(81,200,000)
Bank overdrafts	(360)
Cash and cash equivalents acquired	97,557,977
	16,357,617

## Notes to the Financial Statements

31 March 2013

### 42. ACQUISITION OF SUBSIDIARIES/BUSINESS (Continued)

(b) (Continued)

The goodwill arising on the acquisition is attributable to broaden the revenue base of the Group from combining the operations of the Group and CMF and provides synergy effect of existing entertainment business of the Group.

Since its acquisition, CMF contributed revenue of HK\$6,055,000 and net loss of HK\$3,002,000 to the Group for the period from 30 December 2011 to 31 March 2012. Had the combination taken place on 1 April 2011, the revenue and the loss before income tax credit of the Group for the year ended 31 March 2012 would have been HK\$334,292,929 and HK\$333,395,524 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2011, nor intended to be a projection of future results.

The acquisition-related costs of HK\$429,845 have been expensed and are included in other operating expenses.

The Group has elected to measure the non-controlling interests in CMF at acquisition-date fair value which has been determined by reference to its market value at the date of acquisition.

The fair value of trade and other receivables, equivalent to its gross contractual amount as shown above, is considered as fully recoverable.

(c) On 8 July 2011, the Group completed an agreement dated 27 May 2011 with HaoRan Cultural Development Limited ("BoRen Vendor"), an independent third party, to acquire the entire issued share capital of BoRen from BoRen Vendor for a consideration of RMB90 million, RMB25 million (equivalent to HK\$29,897,153) of which was paid in cash and the balance of RMB65 million by the issue of 420,176,215 ordinary shares of the Company (the "BoRen Agreement"). The quoted closing price per share of the Company quoted on the Stock Exchange on that date was HK\$0.191.

The BoRen Agreement contained a profit guarantee from BoRen Vendor whereby BoRen Vendor guaranteed that the total audited combined net profits after taxation and non-controlling interest of Elite-China and its subsidiaries (the "Elite Group") for the three financial years ending 31 December 2013 (the "Guaranteed Period") shall be not less than RMB75 million (the "Guaranteed Profit"). Meanwhile, the Group is obligated to advance loans ("Advanced Loans") in the total principal amount in Hong Kong dollars of not less than a sum equivalent to RMB50 million each financial year during the Guaranteed Period to the Elite Group for the development of the business of BoRen and its subsidiaries (the "BoRen Group"). In case of the Elite Group failed to meet the Guaranteed Profit, the maximum amount to be received by the Group from BoRen Vendor shall not exceed RMB90 million.

## Notes to the Financial Statements

31 March 2013

### 42. ACQUISITION OF SUBSIDIARIES/BUSINESS (Continued)

(c) (Continued)

The BoRen Group is principally engaged in the sub-leasing of properties and facilities in Nanjing, PRC. The acquisition was made as part of the Group's strategy to develop its business in sub-leasing of properties and facilities in Nanjing, PRC.

The fair values of net liabilities assumed at the date of acquisition are as follows:

	HK\$
Property, plant and equipment	115,985,504
Inventories	1,786
Trade and other receivables	15,689,860
Amounts due from related parties	8,544,402
Cash and cash equivalents	7,829,713
Trade and other payables	(23,766,233)
Amounts due to related parties	(42,226,418)
Amount due to a former shareholder	(27,040,427)
Bank borrowings	(62,740,848)
Current tax liabilities	(1,113,912)
Deferred tax liabilities	(3,693,708)
	(12,530,281)
Non-controlling interests	5,621,931
<b>Net liabilities assumed</b>	<b>(6,908,350)</b>
Goodwill ( <i>note 20(c)</i> )	18,311,567
<b>Total consideration, net of fair value of contingent consideration</b>	<b>11,403,217</b>
<b>Satisfied by:</b>	
Cash	29,897,153
Issue of 420,176,215 ordinary shares	80,253,657
Fair value of contingent consideration	(98,747,593)
	11,403,217
<b>Net cash (outflow)/inflow arising on acquisition:</b>	
Cash consideration paid	(29,897,153)
Cash and cash equivalents acquired	7,829,713
	(22,067,440)

## Notes to the Financial Statements

31 March 2013

### 42. ACQUISITION OF SUBSIDIARIES/BUSINESS (Continued)

(c) (Continued)

The goodwill arising on the acquisition is attributable to the anticipated profitability generated from the synergy, revenue growth and future market development in the property sub-leasing business, which the Group intends to develop.

Since its acquisition, BoRen Group contributed revenue of HK\$54,560,565 and net profit of HK\$8,316,897 to the Group for the period from 8 July 2011 to 31 March 2012. Had the combination taken place on 1 April 2011, the revenue and the loss before income tax credit of the Group for the year ended 31 March 2012 would have been HK\$304,104,855 and HK\$313,833,012 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2011, nor intended to be a projection of future results.

The Group has engaged Savills, an independent valuer, to assess the fair value of the assets and liabilities and the contingent consideration at the acquisition date.

The acquisition-related costs of HK\$628,301 have been expensed and are included in other operating expenses. The attributable costs of the issuance of the equity instruments are insignificant.

Contingent consideration represented amount to be received by the Group if the Elite Group fails to met the Guaranteed Profit.

The Group has elected to measure the non-controlling interests in the BoRen Group at the proportionate share of the acquiree's identifiable net liabilities.

The fair value of trade and other receivables, equivalent to its gross contractual amount as shown above, is considered as fully recoverable.



## Notes to the Financial Statements

31 March 2013

### 42. ACQUISITION OF SUBSIDIARIES/BUSINESS (Continued)

- (d) On 27 May 2011, the Group completed an agreement with an independent third party to acquire the business of Number One at a consideration of HK\$1,280,000 in cash. Number One is principally engaged in operation of hot pot restaurant in Hong Kong. The fair value of net assets acquired at the date of acquisition is as follows:

	HK\$
Property, plant and equipment	–
<b>Net assets acquired</b>	–
Goodwill ( <i>note 20(d)</i> )	1,280,000
<b>Total consideration</b>	<b>1,280,000</b>
<b>Satisfied by:</b>	
Cash	1,280,000
<b>Net cash (outflow) arising on acquisition:</b>	
Cash consideration paid	(1,280,000)

The goodwill arising on the acquisition is attributable to the anticipated profitability generated from the reputation of the brand name and future market development in the hot pot business. The acquisition was made as part of the Group's strategy to develop its business in hot pot industry in Hong Kong.

Since its acquisition, Number One contributed revenue of HK\$1,593,626 and net loss of HK\$6,220,619 to the Group for the period from 27 May 2011 to 31 March 2012. Had the combination taken place on 1 April 2011, the revenue and the loss before income tax credit of the Group for the year ended 31 March 2012 would have been HK\$298,982,929 and HK\$315,397,524 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2011, nor intended to be a projection of future results.

The acquisition-related costs were minimal and have been expensed and included in other operating expenses.

# Notes to the Financial Statements

31 March 2013

## 42. ACQUISITION OF SUBSIDIARIES/BUSINESS (Continued)

- (e) On 20 May 2011, the Company completed a share subscription agreement with Commotra Company Limited (the "Subscriber") in which the subscriber agreed to subscribe for 1,333,333,333 ordinary shares of the Company at a subscription price of HK\$0.12 per share, totaling HK\$160,000,000. At the same time, the Company acquired the entire equity interests in the CRA Group from the Subscriber's parent at a consideration of HK\$110,000,000. The total share subscription price of HK\$160,000,000 was settled in cash of HK\$50,000,000, with the balance set off against the acquisition consideration.

The acquisition consideration was determined by effective number of ordinary shares of the Company issued for the acquisition and the fair value of the ordinary shares of the Company as at the completion date of the acquisition.

The effective number of ordinary shares of the Company issued for the acquisition was 916,666,667, representing the consideration of HK\$110,000,000 stated in the sale and purchase agreement of the acquisition divided by subscription price of HK\$0.12 per share stated in the share subscription agreement. The fair value of the ordinary shares issued was determined by reference to their closing price of HK\$0.17 per share quoted on the Stock Exchange at the date of acquisition.

The CRA Group is principally engaged in exhibition-related business and has been acting as an organiser and a contractor for all kinds of exhibitions and meeting events mainly in Hong Kong. The acquisition was made as part of the Group's strategy to develop its business in exhibition in Hong Kong.

The fair values of net assets acquired at the date of acquisition are as follows:

	HK\$
Property, plant and equipment	364,520
Intangible assets – customer relationship and customer contracts	38,410,000
Trade and other receivables	14,458,678
Cash and cash equivalents	20,523,737
Trade and other payables	(22,318,674)
Current tax liabilities	(2,576,178)
Provision for long term service payments	(55,363)
Deferred tax liabilities	(6,318,744)
<b>Net assets acquired</b>	<b>42,487,976</b>
Goodwill (note 20(b))	113,345,357
<b>Total consideration</b>	<b>155,833,333</b>
<b>Satisfied by:</b>	
Issue of 916,666,667 ordinary shares under share subscription arrangement	155,833,333
<b>Net cash inflow arising on acquisition:</b>	
Cash and cash equivalents acquired	20,523,737

## Notes to the Financial Statements

31 March 2013

### 42. ACQUISITION OF SUBSIDIARIES/BUSINESS (Continued)

(e) (Continued)

The goodwill arising on the acquisition is attributable to the anticipated profitability generated from the synergy, revenue growth and future market development in the exhibition-related business, which the Group intends to develop.

Since its acquisition, the CRA Group contributed revenue of HK\$81,468,152 and net profit of HK\$8,619,654 to the Group for the period from 20 May 2011 to 31 March 2012. Had the combination taken place on 1 April 2011, the revenue and the loss before income tax credit of the Group for the year ended 31 March 2012 would have been HK\$302,014,959 and HK\$311,873,989 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2011, nor intended to be a projection of future results.

The acquisition-related costs of HK\$2,064,645 have been expensed and are included in other operating expenses.

The fair value of trade and other receivables, equivalent to its gross contractual amount as shown above, is considered as fully recoverable.

### 43. DISPOSAL OF SUBSIDIARIES

(a) On 24 January 2013, the Group disposed of its 100% equity interest in Shenzhen Land Company Limited ("Shenzhen Land") to an independent third party at a cash consideration of RMB69,310,000 (approximately HK\$85,164,913). The net assets of Shenzhen Land at the date of disposal were as follows:

	<i>HK\$</i>
Net assets disposed of:	
Investment properties	82,873,000
Trade and other receivables	147,902
Trade and other payables	(5,232,557)
Amount due to a related company	(39,142)
Shareholder's loan	(3,618,061)
	<hr/>
	74,131,142
Repayment of shareholder's loan	3,618,061
Gain on disposal	7,415,710
	<hr/>
Total consideration	85,164,913
	<hr/>
Total consideration satisfied by:	
Cash	85,164,913
	<hr/>
Net cash inflow arising on disposal:	
Cash received	85,164,913
	<hr/>

# Notes to the Financial Statements

31 March 2013

## 43. DISPOSAL OF SUBSIDIARIES (Continued)

- (b) As mentioned in note 23, on 28 May 2012, the Group entered into an agreement to dispose of its 29% equity interests in CMF to Eternity at a cash consideration of HK\$51,324,000. The transaction led to the reduction of the Group's equity interests in CMF from 74.95% to 45.95% and CMF and its subsidiaries became associates of the Group. The completion of disposal took place on 3 August 2012. The net assets of CMF at the date of disposal were as follows:

	<i>HK\$</i>
Net assets disposed of:	
Property, plant and equipment	2,459,418
Goodwill	59,092,005
Intangible assets	1,601,640
Trade and other receivables	11,335,550
Cash and cash equivalents	88,751,954
Trade and other payables	(9,338,710)
Provision for long service payment	(182,316)
Convertible loan notes	(5,225,068)
Non-controlling interests	(35,947,062)
	<hr/> 112,547,411
Gain on disposal	6,162,734
	<hr/> 118,710,145
Total consideration	<hr/> 118,710,145
Total consideration satisfied by:	
Cash received	51,324,000
Fair value of 45.95% retained equity interest in CMF	67,386,145
	<hr/> 118,710,145
Net cash outflow arising on disposal:	
Cash received	51,324,000
Cash and cash equivalents disposed of	(88,751,954)
	<hr/> (37,427,954)

## Notes to the Financial Statements

31 March 2013

### 43. DISPOSAL OF SUBSIDIARIES (Continued)

- (c) On 29 June 2012, the Group disposed of its 100% equity interests in Infrared Engineering and Consultants Limited (“Infrared”), which was one of the subsidiaries of CMF, to an independent third party at a cash consideration of HK\$1. Upon completion of the disposal, Infrared ceased to be a subsidiary of the Company. The net liabilities of Infrared as the date of disposal were as follows:

	<i>HK\$</i>
Net liabilities disposed of:	
Property, plant and equipment	104,303
Trade and other receivables	343,159
Cash and cash equivalents	21,627
Trade and other payables	(788,583)
	<hr/>
	(319,494)
Gain on disposal	319,495
	<hr/>
Total consideration	1
	<hr/>
Total consideration satisfied by:	
Cash received	1
	<hr/>
Net cash outflow arising on disposal:	
Cash received	1
Cash and cash equivalents disposed of	(21,627)
	<hr/>
	(21,626)
	<hr/>

# Notes to the Financial Statements

31 March 2013

## 44. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES

- (a) On 21 September 2012, the Company entered into the conditional sale and purchase agreement (“Acquisition Agreement”) made between the Company and the connected persons in relation to the acquisition of the entire issued share capital of Media Sound at a consideration of HK\$55,896,400 which was satisfied partly by the Company’s issue of promissory notes of HK\$40,896,400 to the connected persons and partly by cash of HK\$15,000,000. On 21 November 2012, the Company and one of the connected persons entered into a deed of undertaking, pursuant to which the connected person undertook to indemnify the Company and a subsidiary of Media Sound an amount of RMB3 million (equivalent to approximately HK\$3,705,900) (the “Debt”) owed by the subsidiary of Media Sound to persons who are independent third parties. Pursuant to the deed of undertaking, the connected person agreed that the Debt, which was settled by the Company’s subsidiary, shall be set off with the amount to be paid to the connected person by issue of a promissory note in favour of the connected person under the Acquisition Agreement on completion of the acquisition.

As a result, the final consideration was satisfied by the issue of promissory notes of HK\$37,190,500 and cash of HK\$18,705,900, of which HK\$15,000,000 was paid to connected persons and HK\$3,705,900 for Debt settlement. The fair value of the promissory notes at the date of acquisition was HK\$33,510,000, which was calculated at the discount borrowing rate of 11% per annum.

Through the acquisition of Media Sound and its subsidiary (the “Media Sound Group”), the Company acquired 39.2% equity interests in Song Labs from the connected persons. Immediate before acquisition of the Media Sound Group, the Group had owned 60.8% equity interests in Song Labs. Upon the completion of the Acquisition Agreement on 30 January 2013, effective equity interests in Song Labs owned by the Group increased to 100%.

Since the Media Sound Group has no business operation except investment holding and, immediately before the acquisition, it held 39.2% equity interests in Song Labs, the Directors of the Company are of opinion that the acquisition does not constitute a business combination for accounting purposes and is in fact a purchase of net assets in nature. Accordingly, the acquisition constitutes a change in the Group’s ownership interest in Song Labs that does not result in a loss of control.

## Notes to the Financial Statements

31 March 2013

### 44. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES (Continued)

(a) (Continued)

Details of the acquisition are summarised as follows:

	<i>HK\$</i>
Total consideration	52,215,900
Debt settlement on behalf of the Media Sound Group	<u>(3,705,900)</u>
	48,510,000
Net liabilities of the Media Sound Group assumed	<u>35,165,699</u>
	83,675,699
39.2% equity interests in Song Labs	<u>(3,987,907)</u>
<b>Excess recorded in equity attributable to owners of the Company</b>	<b><u>79,687,792</u></b>

Satisfied by:

	<i>HK\$</i>
Promissory notes measured at fair value	33,510,000
Cash	<u>18,705,900</u>
	52,215,900
	<u>52,215,900</u>

Details of the acquisition are set out in the Company's circular dated 11 January 2013.

# Notes to the Financial Statements

31 March 2013

## 44. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES (Continued)

- (b) On 30 April 2012, the Company entered into an agreement with Rise Jumbo Limited (“Rise Jumbo”) and Li Bin for the acquisition of 10 shares of US\$1 each representing 4.235% of the issued share capital of, and the benefit of 50% of all amounts as at the completion date (the “Sale Loan”) due from, Welly Champ for an aggregate consideration of HK\$9 million in cash. Li Bin, a Director of Welly Champ and Golden Island Catering Group Company Limited, a wholly-owned subsidiary of the Company, has 50% equity interests in Rise Jumbo. Subsequently, the Company entered into a supplement agreement with Rise Jumbo and Li Bin on 9 May 2012 to the effect that completion of the acquisition should take place in two phases: (i) the first of which took place on 10 May 2012 in respect of 4.45 shares of US\$1 each of Welly Champ and HK\$2,633,867 of the Sale Loan for HK\$4 million; and (ii) the second phase on or before 30 April 2013 in respect of 5.55 shares of US\$1 each of Welly Champ and the balance of the Sale Loan for HK\$5 million. The first and second phases of acquisition were completed on 10 May 2012 and 25 April 2013 respectively.

On 30 April 2012, the Company entered into an agreement with Long Sincere and Wang Wei for the acquisition of 10 shares of US\$1 each representing 4.235% of the issued share capital of, and the benefit of 50% of all amounts as at the completion date amounted to HK\$5,926,199 due from, Welly Champ for an aggregate consideration of HK\$9 million in cash and the total principal amount by the loans of HK\$8,500,000 (as mentioned in note 29(d)(iii)) was set off as part of the consideration on 30 April 2012. Long Sincere is a company wholly owned by Wang Wei, a Director of Welly Champ and Well Allied, another subsidiary of the Company. The acquisition was completed on 10 May 2012.

Before completion of the above acquisitions, the Group had owned 83.06% equity interests in Welly Champ. Upon the completion of the above acquisitions on 30 April 2012 and 10 May 2012, effective equity interests in Welly Champ owned by the Group was increased to 89.18%.

Details of the acquisitions are summarised as follows:

	<i>HK\$</i>
Total aggregate consideration	13,000,000
Shareholders' loan receivables	(8,560,066)
	4,439,934
6.12% equity interests in Welly Champ	1,478,681
<b>Excess of recorded in equity attributable to owners of the Company</b>	<b>5,918,615</b>
<b>Satisfied by:</b>	
Set off with loan receivables (note 29(d)(iii))	8,500,000
Cash	4,500,000
	13,000,000



## Notes to the Financial Statements

31 March 2013

### 45. RELATED PARTY TRANSACTIONS

Save as those disclose elsewhere in the financial statements, significant related party transactions during the year are as follows:

		<b>Group</b>	
	<i>Notes</i>	<b>2013</b> <b>HK\$</b>	2012 <i>HK\$</i>
Rental income from related companies	<i>(a)</i>	–	629,342
Rental income from an associate	<i>(b)</i>	<b>2,960,138</b>	–
Rental expenses to related companies	<i>(c)</i>	–	50,000
Service fees to related companies	<i>(d)</i>	–	1,164,655
Guarantee return to non-controlling shareholder	<i>(e)</i>	<b>1,238,283</b>	837,000
Acquisition of associate	23	–	7,769,000
Interest expense to non-controlling shareholders	12	<b>805,346</b>	66,350

- (a) Rental income were received from related companies which have a common Director, or control by a common Director, with the Group's subsidiary.
- (b) Rental income was received from associate based on the facility sharing agreement signed between parties.
- (c) Rental expenses was charged by related company which has a common Director with the Group's subsidiary. For the year ended 31 March 2012, rental expenses were charged by related companies which are associates of two then former Directors of the Company, Ms. Ma Shuk Kam and Mr. Yeung Chi Hang, based on the tenancy agreements signed between the parties. These transactions are continuing connected transactions in respect of which the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.
- (d) Service fees were charged by related companies which have a common Director, significant influence or control by a common Director, with the Group's subsidiaries.
- (e) Guarantee return was provided to a non-controlling shareholder of a subsidiary in PRC for the first three years from 2011 in the amounts of RMB735,000, RMB980,000 and RMB980,000 respectively.
- (f) The Company entered into agreements to acquire additional interests from companies, equity interests of which are owned by Directors of the Company's subsidiaries. Please refer to note 44(b) for details.

# Notes to the Financial Statements

31 March 2013

## 45. RELATED PARTY TRANSACTIONS (Continued)

### (g) Compensation of key management personnel

The remuneration of Directors and other members of key management personnel during the year were as follows:

	Group	
	2013 HK\$	2012 HK\$
Short-term benefits	12,014,758	16,661,089
Post-employment benefits	107,000	96,000
	<b>12,121,758</b>	<b>16,757,089</b>

## 46. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of loss for the year to net cash used in operations is as follows:

	2013 HK\$	2012 HK\$
Loss before income tax credit	(95,672,422)	(315,397,524)
Interest income	(3,228,093)	(4,322,877)
Other income	-	(1,397,546)
Interest expenses	16,559,226	11,111,432
Depreciation of property, plant and equipment	38,478,592	35,601,756
Amortisation of payments for leasehold land held for own use under operating leases	4,044,898	4,084,635
Amortisation of intangible assets	15,076,271	14,638,229
Amortisation of deferred expenditure	11,306,375	43,975,801
Loss on disposal of property, plant and equipment	101,654	1,549,621
Loss on early redemption of convertible bonds	1,742,037	-
Impairment loss on property, plant and equipment	915,584	5,570,995
Impairment loss on payments for leasehold land held for own use under operating leases	11,794,347	16,233,022
Impairment loss on goodwill	-	139,612,244
Impairment loss on intangible assets	-	6,130,525
Impairment loss on interest in an associate	-	27,140,474
Impairment loss on available-for-sale investments	10,571,573	102,176,062
Impairment loss on trade and other receivables	5,037,349	-
Fair value gain on investment properties	-	(13,207,565)
Gain on a bargain purchase on acquisition of subsidiaries	(36,077,025)	-
Gain on step acquisition of jointly controlled entities	(5,015,611)	-
Gain on disposal of subsidiaries	(13,897,939)	-
Gain on disposal of non-current assets held for sale	(5,770,688)	(96,570,743)
Gain on step acquisition of available-for-sale investments	-	(6,979,802)
Gain on step acquisition of associates	-	(5,278,168)
Share of losses of associates	4,251,761	8,905,212
Equity-settled share-based payment expense	244,722	1,501,001
Provision for long service payments	-	126,953

## Notes to the Financial Statements

31 March 2013

### 46. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

	2013 HK\$	2012 HK\$
Operating loss before working capital changes	(39,537,389)	(24,796,263)
Increase in inventories	(8,130,307)	(16,079,946)
Decrease/(increase) in trade and other receivables	30,738,155	(117,938,697)
Decrease/(increase) in amounts due from non-controlling shareholders	4,000	(4,000)
Decrease/(increase) in amounts due from related parties	17,538,001	(8,993,599)
Increase in amounts due from an associate	(7,833)	–
(Decrease)/increase in trade and other payables	(14,108,175)	15,830,050
Decrease/(increase) in amounts due to non-controlling shareholders	(4,331,942)	428,825
Decrease in amounts due to related parties	(50,517,012)	(9,678,799)
Net cash used in operations	<b>(68,352,502)</b>	(161,232,429)

### 47. LEASES

#### Operating leases – lessee

The Group leases certain properties under operating leases. The leases for properties usually run for an initial period of one to sixteen years (2012: one to sixteen years). Lease payments are usually negotiated to reflect market rentals. None of the leases includes contingent rentals.

The lease payments recognised as an expense are as follows:

	Group	
	2013 HK\$	2012 HK\$
Minimum lease payments	<b>47,840,859</b>	42,479,622

The total future minimum lease payments are due as follows:

	Group	
	2013 HK\$	2012 HK\$
Not later than one year	<b>40,905,372</b>	46,995,473
Later than one year and not later than five years	<b>96,737,944</b>	144,710,780
More than five years	<b>145,723,762</b>	210,410,986
	<b>283,367,078</b>	402,117,239

# Notes to the Financial Statements

31 March 2013

## 47. LEASES (Continued)

### Operating Leases – Lessor

The Group leases out its investment properties and sub-leases of properties in PRC under operating leases. The leases for investment properties usually run for one to five years (2012: one to five years) and sub-leases of properties in PRC usually run for one to five years (2012: one to five years). Lease payments are usually negotiated to reflect market rentals. None of the lease includes contingent rentals.

The minimum lease receivables under non-cancellable operating leases are as follows:

	<b>Group</b>	
	<b>2013</b>	2012
	<b>HK\$</b>	<b>HK\$</b>
Not later than one year	<b>74,536,183</b>	75,015,216
Later than one year and not later than five years	<b>147,865,967</b>	187,616,644
More than five years	<b>42,574,082</b>	81,185,195
	<b>264,976,232</b>	343,817,055

## 48. CAPITAL COMMITMENTS

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	2012	<b>2013</b>	2012
	<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>
Commitments for the acquisition of plant and equipment:				
Contracted for but not provided	<b>6,850,269</b>	14,729,063	–	–

On 20 December 2011, The Group and BoRen Vendor entered into a supplemental agreement to defer the Guaranteed Period (as mentioned in note 42(c)) from the three financial years ending 31 December 2013 to the three financial years ending 31 December 2014 and the related Advanced Loans would be deferred accordingly whilst the rest of the terms and conditions of the BoRen Agreement remain unchanged. On 31 December 2012, the Group and BoRen Vendor further entered into a supplemental agreement to defer the Guarantee Period from the three financial years ending 31 December 2014 to the three financial year ending 31 December 2015 and the related Advanced Loans would be further deferred accordingly whilst the rest of the terms and conditions of the BoRen Agreement remain unchanged.

Details of other commitments are set out in note 26 to the financial statements.

## 49. FINANCIAL RISK MANAGEMENT

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investment in other entities.

Policy for managing these risks is set by the Board following recommendations from the Chief Financial Officer. Certain risks are managed centrally, while others are managed locally following guidelines communicated from the management. The policy for each of the above risks is described in more detail below.

# Notes to the Financial Statements

31 March 2013

## 49. FINANCIAL RISK MANAGEMENT (Continued)

### (a) Credit risk

Credit risk refers to the risk that counterparties will default on their contractual obligations resulting in financial loss to the Group. The Group exposes to credit risk from loans and receivables. The Group has adopted a credit policy to monitor and mitigate credit risk arising from trade debtors. Credit limit is regularly reviewed and approved by head of credit control. The Group assesses credit risk based on customers' past due records, trading history, financial conditions or credit ratings. The Group and the Company is not exposed to concentration of credit risk. Please refer to note 29 for further analysis of credit risk associates with trade and other receivables.

The credit risk on bank deposits is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

### (b) Liquidity risk

The Group's objective is to ensure there are adequate funds to meet commitments associated with its financial liabilities. Cash flows of the Group are closely monitored by senior management on an ongoing basis.

The contractual maturities of financial liabilities are shown as below:

#### The Group

	Carrying amount HK\$	Total contractual undiscounted cash flows HK\$	Within 1 year or on demand HK\$	More than 1 year but less than 2 years HK\$	More than 2 years but less than 5 years HK\$	More than 5 years HK\$
<b>2013</b>						
<b>Non-derivatives:</b>						
Trade and other payables	72,355,784	72,355,784	72,355,784	-	-	-
Amounts due to non-controlling shareholders	105,877,403	105,877,403	105,877,403	-	-	-
Amounts due to related parties	37,900,742	37,900,742	37,900,742	-	-	-
Bank borrowings	102,901,297	111,581,350	111,581,350	-	-	-
Other borrowings	46,507,925	50,605,229	50,605,229	-	-	-
	<b>365,543,151</b>	<b>378,320,508</b>	<b>378,320,508</b>	-	-	-
<b>2012</b>						
<b>Non-derivatives:</b>						
Trade and other payables	138,802,532	138,802,532	138,802,532	-	-	-
Amounts due to non-controlling shareholders	102,494,172	103,135,522	103,135,522	-	-	-
Amounts due to related parties	50,517,012	50,517,012	50,517,012	-	-	-
Bank borrowings	111,739,418	120,071,150	108,196,277	11,874,873	-	-
Other borrowings	19,000,000	19,760,000	19,760,000	-	-	-
Convertible bonds	74,477,355	84,000,000	84,000,000	-	-	-
	<b>497,030,489</b>	<b>516,286,216</b>	<b>504,411,343</b>	<b>11,874,873</b>	-	-

## Notes to the Financial Statements

31 March 2013

## 49. FINANCIAL RISK MANAGEMENT (Continued)

## (b) Liquidity risk (Continued)

## The Company

	Carrying amount HK\$	Total contractual undiscounted cash flows HK\$	Within 1 year or on demand HK\$	More than 1 year but less than 2 years HK\$	More than 2 years but less than 5 years HK\$	More than 5 years HK\$
<b>2013</b>						
<b>Non-derivatives:</b>						
Trade and other payables	777,958	777,958	777,958	-	-	-
Amounts due to subsidiaries	657,448,855	657,448,855	657,448,855	-	-	-
Other borrowings	34,125,098	37,195,000	37,195,000	-	-	-
	<b>692,351,911</b>	<b>695,421,813</b>	<b>695,421,813</b>	-	-	-
<b>2012</b>						
<b>Non-derivatives:</b>						
Trade and other payables	1,779,320	1,779,320	1,779,320	-	-	-
Amounts due to subsidiaries	376,608,216	376,608,216	376,608,216	-	-	-
Bank borrowings	29,210,909	29,795,127	29,795,127	-	-	-
Other borrowings	19,000,000	19,760,000	19,760,000	-	-	-
Convertible bonds	74,477,355	84,000,000	84,000,000	-	-	-
	<b>501,075,800</b>	<b>511,942,663</b>	<b>511,942,663</b>	-	-	-

## (c) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances and variable-rate bank loans.

The Group is also exposed to fair value interest rate risk which relates primarily to its fixed-rate loan receivables, bank borrowings, other borrowings, amounts due to non-controlling shareholders, and convertible bonds. The Group currently does not use any derivative contracts to hedge the interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

# Notes to the Financial Statements

31 March 2013

## 49. FINANCIAL RISK MANAGEMENT (Continued)

### (c) Interest rate risk (Continued)

#### Interest rate profile

The following table details interest rates analysis that management of the Company evaluates the interest rate risk.

	Group				Company			
	2013		2012		2013		2012	
	Effective interest rate (%)	HK\$	Effective interest rate (%)	HK\$	Effective interest rate (%)	HK\$	Effective interest rate (%)	HK\$
<b>Financial assets</b>								
Fixed-rate financial assets:								
- Loan receivables	8.00%	22,500,000	5.00%	88,500,000	-	-	-	-
- Amount due from a related party	-	-	5.18%	8,882,000	-	-	-	-
Floating-rate financial assets:								
- Cash and bank balances	0.30%	187,756,090	0.49%	241,293,743	0.25%	33,869,149	0.87%	11,033,525
<b>Financial liabilities</b>								
Fixed-rate financial liabilities:								
- Amounts due to non-controlling shareholders	6.12%	7,954,800	6.17%	10,397,000	-	-	-	-
- Bank borrowings	7.20%	11,144,545	12.34%	28,496,391	-	-	-	-
- Other borrowings	10.73%	46,507,925	12.00%	19,000,000	11.00%	34,125,098	12.00%	19,000,000
- Convertible bonds	-	-	12.00%	74,477,355	-	-	12.00%	74,477,355
Floating-rate financial liabilities:								
- Bank borrowings	8.59%	91,756,752	7.83%	54,032,118	-	-	-	-
- Bank overdrafts	-	-	2.00%	29,210,909	-	-	2.00%	29,210,909

#### Sensitivity analysis

The following table indicates the approximate change in the results after tax in response to reasonably possible changes in interest rate to which the Group has significant exposure at the end of reporting period. In determining the effect on results after tax on the next accounting period until next end of reporting period, management of the Company assumes that the change in interest rate had occurred at the end of reporting period and all other variables remain constant. There is no change in the methods and assumptions used in 2013 and 2012.

	Group		Company	
	2013 HK\$	2012 HK\$	2013 HK\$	2012 HK\$
Increase by 100 basis points	959,993	1,580,507	358,691	181,774
Decrease by 100 basis points	347,962	(1,580,507)	(91,307)	(181,774)

# Notes to the Financial Statements

31 March 2013

## 49. FINANCIAL RISK MANAGEMENT (Continued)

### (d) Currency risk

The Group mainly operates in Hong Kong and PRC with most of the transactions settled in their respective functional currencies in which the group entities operate. Therefore the Group does not have significant exposure to risk resulting from changes in foreign currency exchange rates.

### (e) Equity price risk

The Group is exposed to equity price changes arising from equity instruments classified as available-for-sale equity securities. They are listed on the Stock Exchange and have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

#### *Sensitivity analysis*

The sensitivity analysis on equity price risk includes the Group's financial instruments, which fair value or future cash flows will fluctuate because of changes in their corresponding or underlying asset's equity price. If the prices of the respective equity instruments had been 50% (2012: 50%) higher/lower, the other component of equity would increase/decrease by HK\$39,884,249 (2012: HK\$42,945,165).

## 50. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amount and fair value of financial assets and liabilities as defined in note 4(l):

	2013		2012	
	Carrying amount HK\$	Fair value HK\$	Carrying amount HK\$	Fair value HK\$
<b>Financial assets</b>				
Loans and receivables	<b>342,985,323</b>	<b>342,985,323</b>	469,785,481	469,785,481
Available-for-sale financial assets	<b>181,307,682</b>	<b>181,307,682</b>	184,637,923	184,637,923
<b>Financial liabilities</b>				
Financial liabilities measured at amortised cost	<b>365,543,151</b>	<b>365,543,151</b>	497,030,489	497,030,489



## Notes to the Financial Statements

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### 50. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (Continued)

(a) The fair values of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

(b) The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Available-for-sale financial assets	Group 2013			Total
	Level 1	Level 2	Level 3	
Listed securities in Hong Kong, at fair value	75,318,757	–	–	75,318,757
Convertible loan notes	–	4,449,740	–	4,449,740
Contingent consideration in relation to acquisition of subsidiaries	–	–	101,539,185	101,539,185
	<b>75,318,757</b>	<b>4,449,740</b>	<b>101,539,185</b>	<b>181,307,682</b>

Available-for-sale financial assets	Group 2012			Total
	Level 1	Level 2	Level 3	
Listed securities in Hong Kong, at fair value	85,890,330	–	–	85,890,330
Contingent consideration in relation to acquisition of subsidiaries	–	–	98,747,593	98,747,593
	85,890,330	–	98,747,593	184,637,923

# Notes to the Financial Statements

31 March 2013

## 50. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (Continued)

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) is as follows:

	<b>Group Equity Securities</b>	
	<b>2013 HK\$</b>	2012 HK\$
At 1 April	<b>98,747,593</b>	–
Contingent consideration in related to acquisition of subsidiaries ( <i>note 25</i> )	–	98,747,593
Exchange differences	<b>2,791,592</b>	–
At 31 March	<b>101,539,185</b>	98,747,593

## 51. EVENTS AFTER THE REPORTING PERIOD

- (a) On 10 April 2013, the Group entered into an agreement to acquire an investment property in Korea at a consideration of approximately HK\$5,855,623. The property will be leased to earn rental income. The transaction was completed on 10 April 2013.
- (b) On 19 April 2013, the Group entered into an agreement with an independent third party to dispose the entire issued share capital of, and shareholder loan receivable from, Wellrich, a wholly owned subsidiary of the Company, at a consideration of RMB150,000,000 (equivalent to approximately HK\$186,000,000). Wellrich owns 94% equity interests in Star-Lake Club which is engaged in hotel operations in PRC. The consideration shall be settled in cash upon completion. The transaction was approved by shareholders in a special general meeting of the Company on 25 June 2013. Details of the transaction were disclosed in the Company's circular dated 6 June 2013.

## Notes to the Financial Statements

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### 51. EVENTS AFTER THE REPORTING PERIOD (Continued)

- (c) On 25 April 2013, the Company announced that the second phase of the supplemental agreement as further described in note 44(b) was completed on 25 April 2013. As a result of the completion, an aggregate of 10 shares of Welly Champ and HK\$5,926,200 of Sale Loan due from Welly Champ has been acquired by the Company. Following the completion, the Company holds an aggregate of 216.13 shares in Welly Champ, representing approximately 91.53% of the total issued share capital of Welly Champ.
- (d) On 24 May 2013, a subsidiary of the Group which holds a money lending licence entered into a supplemental loan agreement in relation to an interest-bearing loan of HK\$22,500,000 which was granted to an independent third party at interest rate 8% per annum on 25 May 2012 (see note 29(d) (i)). The loan is secured by 50,000,000 ordinary shares of Brockman and shall be repayable in 12 months from the date of advance. The supplemental loan agreement extends the repayment date of the loan from 25 May 2013 to 25 November 2013. Securities and interest rate of the loan remains unchanged for the extension of six-month period.
- (e) On 14 June 2013, the Company entered into 2 sets of memorandum of cooperation (“MOU I and MOU II”) regarding the proposed acquisitions of the entire issued share capital of a company which directly or indirectly holds interests in the Yixing project and Lianyun Port project and of the entire issued share capital of an another company which indirectly holds interests in Xian project by the Company.

Both MOU I and MOU II are not legally binding save and except the provisions in relation to the payment of earnest moneys in the respective sums of HK\$30,000,000 and HK\$20,000,000. Details of the MOU I and MOU II were disclosed in the Company’s announcement dated 14 June 2013.

### 52. COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to conform with the presentation of current year.

### 53. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 28 June 2013.