2011/2012 Annual Report

CNC HOLDINGS LIMITED
中 國 新 華 電 視 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)
Stock code: 8356

CNC HOLDINGS
8356•HK

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this report misleading.

Contents

Financial Highlights

Consolidated Results

For the year ended 31 March

	Changes	2012 HK$'000	2011 HK$'000
Revenue	18.8%	**218,961**	184,307
Gross profit	-81.6%	**4,077**	22,200
(Loss)/profit before income tax	N/A	**(707,976)**	11,664
(Loss)/profit attributable to owners of the Company	N/A	**(704,897)**	9,746
Basic (loss)/earnings per Share	N/A	**(55.16)**	1.09
Dividend per Share (HK cents)	N/A	**N/A**	0.33

Consolidated Financial Position

At 31 March

	Changes	2012 HK$'000	2011 HK$'000
Total assets	1,086.3%	**880,498**	74,224
Cash and cash equivalents	-38.3%	**10,011**	16,233
Total liabilities	2,747.7%	**810,005**	28,444
Equity attributable to owners of the Company	54.0%	**70,493**	45,780

Ratios

At 31 March

	2012	2011
Return on equity *(Note (a))*	**-1,000.0%**	21.3%
Return on assets *(Note (b))*	**-80.1%**	13.1%
Current ratio *(Note (c))*	**1.09 times**	2.31 times
Gearing ratio *(Note (d))*	**72.3%**	9.2%

Notes:

(a) Return on equity is calculated as net (loss)/profit divided by shareholders' equity.

(b) Return on assets is calculated as net (loss)/profit divided by total assets.

(c) Current ratio is calculated as total current assets divided by total current liabilities.

(d) Gearing ratio is calculated as total bank borrowings, promissory note, Convertible Notes, finance lease payables and advance received from customers divided by total assets.

Corporate Profile

The Group is principally engaged in the provision of waterworks engineering services, road works and drainage services and site formation works for the public sector in Hong Kong and television broadcasting business in the Asia-Pacific region (excluding the PRC) in return for advertising and related revenue.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 15 March 2010 and the Shares were listed on GEM on 30 August 2010.

Currently, the Group's businesses are carried out through TYW and TY Civil respectively with TYW responsible for signing and implementing civil engineering contracts as a main contractor while TY Civil responsible for signing and implementing civil engineering contracts as a subcontractor.

Upon the completion of acquisition of Xinhua TV Asia-Pacific and its subsidiaries on 9 December 2011, the Group has diversified its business segment and commenced the business of broadcasting the television programmes on television channels operated by television broadcasting companies in return for advertising and related revenue.

Registrations Held for Undertaking Principal Activities

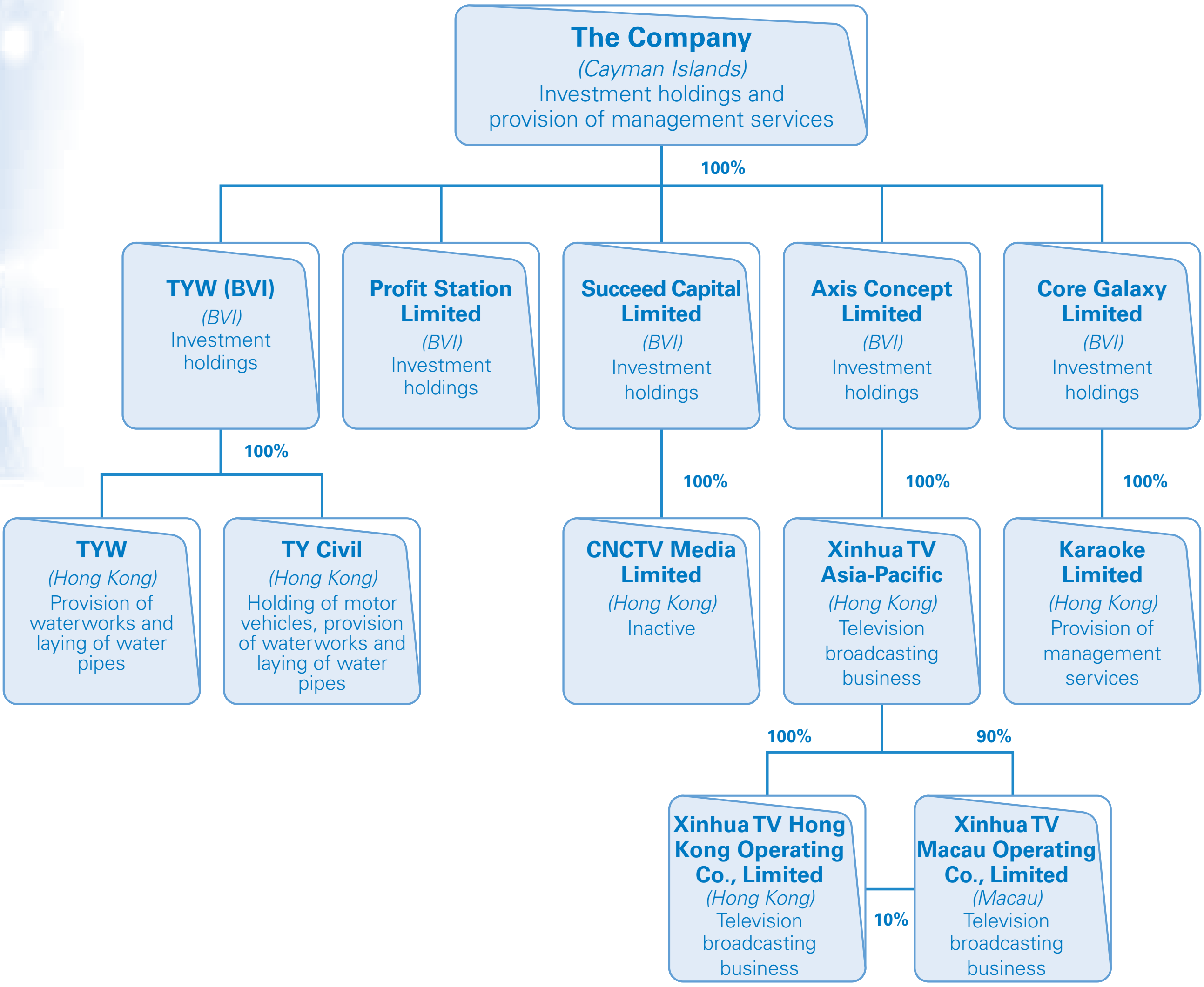
The Group has obtained the following registrations from Works Branch Development Bureau (發展局工務科) of the Government for undertaking projects as a main contractor:

Registration	Value of project which the Group is eligible to undertake under the relevant registration
Approved Contractors for Public Works — Waterworks Category (Group C) (probationary status)	Current contract exceeding HK$75 million
Approved Contractors for Public Works — Roads and Drainage Category (Group B) (confirmed status)	Current contract value up to HK$75 million
Approved Contractors for Public Works — Site Formation Category (Group B) (probationary status)	Current contract value up to HK$75 million

Also, the Group has registered under the Voluntary Subcontractor Registration Scheme (非強制性分包商註冊制度), which is maintained by the Construction Industry Council (建造業議會), for participating in civil engineering works, road works and drainage services and waterworks engineering services as a sub-contractor.

Corporate Structure of the Company

The following diagram illustrates the corporate structure of the Company as at 31 March 2012:



Corporate Information

Directors

Executive Directors

Mr. Wu Jin Cai *(Chairman)*
(appointed on 9 December 2011)
Mr. Zou Chen Dong *(Chief Executive Officer)*
(appointed on 9 December 2011)
Ms. Wu Xu Hong *(Chief Financial Officer)*
(appointed on 9 December 2011)
Mr. Kan Kwok Cheung
Mr. Cheng Ka Ming, Martin
Mr. Chia Thien Loong, Eric John
Mr. Hui Chi Kwong *(appointed on 2 June 2011)*

Non-Executive Director

Ms. Liang Hui *(appointed on 9 December 2011)*

Independent Non-Executive Directors

Mr. Chan Hon Yuen *(appointed on 25 July 2011)*
Mr. Chu Siu Lun, Ivan *(appointed on 18 July 2011)*
Mr. Hau Chi Kit *(appointed on 16 May 2011)*
Mr. Sung Lee Kwok *(resigned on 16 May 2011)*
Mr. Lim Hung Chun *(resigned on 18 July 2011)*
Mr. Lo Ho Chor *(resigned on 25 July 2011)*

Authorised Representatives

Mr. Zou Chen Dong
Mr. Chia Thien Loong, Eric John

Compliance Officer

Mr. Chia Thien Loong, Eric John

Company Secretary

Ms. Li Yuet Tai, *CPA*

Audit Committee

Mr. Chan Hon Yuen *(Chairman)*
(appointed on 25 July 2011)
Mr. Chu Siu Lun, Ivan *(appointed on 18 July 2011)*
Mr. Hau Chi Kit *(appointed on 16 May 2011)*
Ms. Liang Hui *(appointed on 9 December 2011)*
Mr. Lim Hung Chun *(resigned on 18 July 2011)*
Mr. Lo Ho Chor *(resigned on 25 July 2011)*
Mr. Sung Lee Kwok *(resigned on 16 May 2011)*

Remuneration Committee

Mr. Hau Chi Kit *(Chairman)*
(appointed on 16 May 2011 and redesignated as Chairman on 27 March 2012)
Mr. Chu Siu Lun, Ivan *(appointed on 18 July 2011)*
Ms. Liang Hui *(appointed on 9 December 2011)*
Mr. Kan Kwok Cheung *(resigned on 27 March 2012)*
Mr. Lo Ho Chor *(resigned on 25 July 2011)*
Mr. Sung Lee Kwok *(resigned on 16 May 2011)*

Nomination Committee

Mr. Wu Jin Cai *(Chairman)*
(appointed on 27 March 2012)
Mr. Chan Hon Yuen *(appointed on 25 July 2011)*
Mr. Chu Siu Lun, Ivan *(appointed on 18 July 2011)*
Mr. Hau Chi Kit *(appointed on 27 March 2012)*
Ms. Liang Hui *(appointed on 9 December 2011)*
Mr. Kan Kwok Cheung *(resigned on 27 March 2012)*
Mr. Lo Ho Chor *(resigned on 25 July 2011)*
Mr. Lim Hung Chun *(resigned on 18 July 2011)*

Compliance Adviser

Optima Capital Limited

Auditors

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Registered Office

Cricket Square
Hutchins Drive, PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

Rooms 2601–2605, 26/F.,
China Resources Building,
26 Harbour Road,
Wan Chai, Hong Kong

Principal Share Registrar and Transfer Office in Cayman Islands

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman
KY1-1111, Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
26/F., Tesbury Centre
28 Queen's Road East, Wanchai
Hong Kong

Principal Bankers

Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
DBS Bank (Hong Kong) Limited

Website

http://www.cnctv.hk

Stock Code

8356

Definitions

In this report, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

"AGM"	the annual general meeting of the Company
"APT Satellite"	APT Satellite TV Development Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the APT Satellite Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1045)
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"China New Media"	China New Media (HK) Company Limited, a company incorporated in Hong Kong
"China Xinhua NNC"	China Xinhua News Network Co., Limited (中國新華新聞電視網有限公司), a company incorporated in Hong Kong and a wholly-owned subsidiary of Xinhua News Agency (新華社) and a Shareholder of the Company
"Chuwei"	Chuwei (BVI) Limited (祖為有限公司), a company incorporated in the BVI which is wholly and beneficially owned by Mr. Cheng
"Company"	CNC Holdings Limited (中國新華電視控股有限公司), a company incorporated in the Cayman Islands with limited liability on 15 March 2010
"Convertible Notes"	the convertible bonds to be issued by the Company to China Xinhua NNC, APT Satellite and Proud Glory for partial settlement of the consideration for the acquisition of Xinhua TV Asia-Pacific and its subsidiaries
"Director(s)"	director(s) of the Company
"Financial Statements"	the audited financial statements of the Group for the year ended 31 March 2012
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Government"	the Government of Hong Kong
"Group"	the Company and its subsidiaries or, where the context otherwise requires, in respect of the period before the Company became the holding company of its present subsidiaries, such subsidiaries or the businesses which have since been acquired or carried on by them
"HK$" and "HK cent(s)"	Hong Kong dollar(s) and cent(s), respectively, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing"	the listing of the Shares on GEM on 30 August 2010
"Lotawater"	Lotawater (BVI) Limited, a company incorporated in the BVI which is wholly and beneficially owned by Mr. Chia
"Mr. Cheng"	Mr. Cheng Ka Ming, Martin (鄭家銘), an executive Director

Definitions

"Mr. Chia"	Mr. Chia Thien Loong, Eric John (謝天龍), an executive Director
"Mr. Kan"	Mr. Kan Kwok Cheung (簡國祥), an executive Director
"PRC"	the People's Republic of China, excluding Hong Kong, Macau Special Administrative Region of the People's Republic of China and Taiwan
"Prospectus"	the Company's listing prospectus dated 20 August 2010
"Proud Glory"	Proud Glory Investments Limited, a company incorporated in the BVI which is wholly-owned by Dr. Lee Yuk Lun
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended or otherwise modified from time to time
"Share(s)"	ordinary share(s) of the Company
"Share Option Scheme"	the share option scheme of the Company adopted on 11 August 2010
"Share Subdivision"	the subdivision of each of the issued and unissued Share of HK$0.01 each into 10 new Shares of HK$0.001 each with effect from 23 December 2010
"Shareholder(s)"	holder(s) of the Share(s)
"Shunleetat"	Shunleetat (BVI) Limited, a company incorporated in the BVI which is wholly and beneficially owned by Mr. Kan
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"TY Civil"	Tsun Yip Civil Construction Company Limited (進業土木工程有限公司), a company incorporated in Hong Kong with limited liability on 16 June 2000 and an indirect wholly-owned subsidiary of the Company
"TYW"	Tsun Yip Waterworks Construction Company Limited (進業水務建築有限公司), a company incorporated in Hong Kong with limited liability on 6 February 1996 and an indirect wholly-owned subsidiary of the Company
"TYW (BVI)"	TYW (BVI) Limited, a company incorporated in the BVI with limited liability on 2 July 2009 and a wholly-owned subsidiary of the Company
"WSD"	Water Supplies Department of the Government (水務署)
"Xinhua TV Asia-Pacific"	Xinhua TV Asia-Pacific Operating Co., Limited (新華電視亞太台運營有限公司), a company incorporated in Hong Kong with limited liability on 22 December 2009 and an indirect wholly-owned subsidiary of the Company
"%"	per cent

Chief Executive Officer's Statement

To all Shareholders,

On behalf of the Board, I am pleased to present the annual results of the Group for the year ended 31 March 2012.

Results for the Year

During the year ended 31 March 2012, we generated approximately HK$219.0 million revenue, which represented an increase of approximately 18.8% over the revenue for the year ended 31 March 2011 (2011: HK$184.3 million).

Gross profit decreased by approximately 81.6% from approximately HK$22.2 million for the year ended 31 March 2011 to approximately HK$4.1 million for the year ended 31 March 2012.

The net loss of our Group for the year ended 31 March 2012 was approximately HK$704.9 million (2011: profit of HK$9.7 million).

Future Prospects

With established operating history and track record in the waterworks engineering industry, we intend to further expand the business of provision of waterworks engineering services and increase our market share by undertaking more work contracts in the capacity as a main contractor and as a subcontractor of waterworks engineering services in the near future. We believe our Group's proven track record in delivering works of high quality in a timely manner and the grant of Approved Contractors for Public Works — Waterworks Category (Group C) on probationary basis have placed us in an advantageous position to seize the growth opportunities in the civil engineering sector in Hong Kong. Not only will the replacement and rehabilitation program launched by WSD continue to open up numerous waterworks opportunities to our Group, the infrastructure and development projects being currently implemented or to be implemented by the Government, which we believe would inevitably involve waterworks, roads and drainage works or site formation works at some stages, will also create tremendous business opportunities to our Group in the coming years.

Upon the acquisition of subsidiaries which are principally engaged in television broadcasting business, more resources have been put in this business segment during the year under review. The Group has been granted the television broadcasting right to provide information contents supplied by Xinhua News Agency on the television channels in return for advertising and related revenue. This business segment enables the Group to participate in the broadcasting business with broadcasting network of television channels having a relatively extensive scale. Such advertising revenue is expected to enlarge and diversify the Group's income stream, which is consistent with its strategy of broadening its source of income, thereby providing significant growth potential for the Group. The Group will continue to put effort to expand the television broadcasting business in the long run. We believe that this business segment will be one of our bright areas in the coming future.

In addition, we will continue explore opportunities to broaden the business scope with the ultimate goal to maximise Shareholders' return and to sustain the pace of expansion in the long run.

Appreciation

Finally, on behalf of the Board, I would like to take this opportunity to express my most sincere appreciation to all the management team and staff for their dedication and contribution over the past years. I would also like to thank all the Shareholders, customers, suppliers and business partners for their continuous support and trust.

Zou Chen Dong
Chief Executive Officer

1 June 2012

Management Discussion and Analysis

Business Review

The Group is principally engaged in the provision of waterworks engineering services, road works and drainage services and site formation works for the public sector in Hong Kong. Following the completion of acquisition of subsidiaries which are principally engaged in the business of television broadcasting on 9 December 2011, the Group diversified its business to media industry by providing television broadcasting and advertising services in the Asia Pacific region (excluding the PRC).

During the year ended 31 March 2012, the Group continued to focus on rendering waterworks engineering services to the public sector in Hong Kong and at the same time, commenced to develop its business on television broadcasting in return for advertising and related revenue.

During the year ended 31 March 2012, the Group has been undertaking two main contracts and five subcontracts, all of which are related to provision of waterworks engineering services. Details of the contracts undertaken are set out below:

Contract number	Particulars of contract	Client	Contract period under main contracts	
Main contracts				**Total contract value** HK$1,132.7 million
9/WSD/09	Replacement and rehabilitation of water mains stage 3 — mains in Sai Kung	WSD	May 2010–Nov 2012	
8/WSD/11	Construction of Pak Shek Kok Fresh Water Service Reservoir Extension	WSD	Dec 2011–Mar 2014	
Subcontracts				**Total amount of works certified** *(Note)* HK$571.3 million
21/WSD/06	Replacement and rehabilitation of water mains stage 2 — mains in Tai Po and Fanling	Ming Hing Civil Contractors Limited	Aug 2007–Sep 2012	
18/WSD/08	Replacement and rehabilitation of water mains stage 3 — mains on Hong Kong Island South and outlying islands	Ming Hing Civil Contractors Limited	Mar 2009–Sep 2013	
1/WSD/09(W)	Term contract for Waterworks District W — New Territories West	Ming Hing Civil Contractors Limited	Sep 2009–Aug 2012	
16/WSD/09	Salt water supply for Northwest New Territories, mainlaying in Yuen Long	China Geo-China Harbour Joint Venture	Feb 2010–Mar 2014	
8/WSD/10	Replacement and rehabilitation of water mains, stage 4 phase 1 — mains in Tuen Mun, Yuen Long, North District and Tai Po	Hsin Chong Construction Company Limited	Apr 2011–Dec 2015	

Note: Amount of works certified is based on the certificates of payment received from client.

Among the above seven contracts, one main contract (contract numbered 8/WSD/11) and one subcontract (contract numbered 8/WSD/10) were newly awarded during the year ended 31 March 2012.

During the year under review, the two subcontracts with contracts numbered 8/WSD/10 and 18/WSD/08 were the main contributors to the Group's revenue, which generated approximately HK$82.0 million and HK$56.7 million revenue, representing approximately 37.4% and 25.9% of the Group's total revenue respectively.

Aimed at maximising profit and return for the Group and the Shareholders, the Group is exploring new business opportunity to broaden its source of income and expand the business operations.

Towards the strategy of maximising profit and return, on 28 July 2011, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with an independent third party to acquire 17% equity interests of China New Media at an aggregate consideration of approximately HK$70.0 million, comprising cash of HK$25.0 million and a 3% per annum interest-bearing promissory note of approximately HK$45.0 million. China New Media is principally engaged in outdoor advertising in Hong Kong, specialising in advertising spaces in lifts and outer walls of buildings. The transaction was completed on 11 August 2011.

On 6 September 2011, the Company entered into a sale and purchase agreement with independent third parties to acquire the entire equity interests in Xinhua TV Asia-Pacific and its subsidiaries at an aggregate consideration of HK$700.0 million, comprising approximately HK$93.0 million by issue of 474,335,664 Shares at HK$0.196 per Share and approximately HK$607.0 million by issue of 5% per annum interest-bearing Convertible Notes. The Convertible Notes are convertible into 3,097,092,908 Shares at the conversion price of HK$0.196 per Share. Xinhua TV Asia-Pacific is principally engaged in the business of television broadcasting in the Asia Pacific region (excluding the PRC). It has been granted the exclusive television broadcasting right and is thus entitled to offer the information contents from Xinhua News Agency and produce its own contents in the Asia Pacific region (excluding the PRC) and to receive advertising revenue from advertisements on TV channels. The transaction was completed on 9 December 2011.

Financial Review

Revenue

For the year ended 31 March 2012, the Group reported a turnover of approximately HK$219.0 million (2011: HK$184.3 million), representing an increase of approximately 18.8% as compared with that for the previous year. The higher turnover was mainly due to the increase in works from the contract for replacement and rehabilitation of water mains stage 3 — mains in Sai Kung (contract numbered 9/WSD/09) and mains on Hong Kong Island South and outlying islands (contract numbered 18/WSD/08) and the commencement of new contract for replacement and rehabilitation of water mains stage 4 — mains in Tuen Mun, Yuen Long, North District and Tai Po (contract numbered 8/WSD/10). The Group did not derive any advertising revenue from television broadcasting business during the year.

During the year under review, the revenue of the Group was primarily generated from the undertaking of waterworks contracts in the capacity of a subcontractor. The breakdown of total revenue by nature of capacity of the Group is set forth below:

	For the year ended 31 March			
	2012 HK$'000	**% of total**	2011 HK$'000	% of total
Main contractor	**56,188**	**25.7**	27,467	14.9
Subcontractor	**162,773**	**74.3**	156,840	85.1
Total	**218,961**	**100.0**	184,307	100.0

Cost of services

The Group's cost of services mainly includes cost of construction services, transmission costs, broadcasting fee and amortisation of television broadcasting right. Cost of construction services mainly comprise raw materials, direct labour and subcontracting fee for services provided by the subcontractors. Transmission costs comprise satellite transmission fee and carriage fee payable to satellite operator while the broadcasting fee comprises annual fee payable to media broadcasting providers and China Xinhua NNC. The Group's cost of services increased by approximately 32.6% to approximately HK$214.9 million for the year ended 31 March 2012 as compared with that for the previous year (2011: HK$162.1 million). The following table sets out a breakdown of the Group's cost of services:

	2012 HK$'000	**% of total**	2011 HK$'000	% of total
Cost of construction services				
Raw materials	**30,162**	**14.0**	37,640	23.2
Direct labour	**42,365**	**19.7**	31,489	19.4
Subcontracting fee	**84,773**	**39.5**	57,208	35.3
Other direct costs	**37,699**	**17.5**	35,770	22.1
Subtotal	**194,999**	**90.7**	162,107	100.0
Transmission costs	**783**	**0.4**	—	—
Broadcasting fee	**1,408**	**0.7**	—	—
Amortisation of television broadcasting right	**17,694**	**8.2**	—	—
Total	**214,884**	**100.0**	162,107	100.0

Gross profit

The gross profit of the Group for the year ended 31 March 2012 decreased by approximately 81.6% to approximately HK$4.1 million as compared with that for the previous year (2011: HK$22.2 million). The gross profit margin of the Group decreased to approximately 1.9% for the year ended 31 March 2012 (2011: 12.0%). The decrease in gross profit and gross profit margin was largely a consequence of the increase in subcontracting fee and direct labour cost and certain projects reaching a work stage with relatively thinner gross profit margin and also incurrence of cost of services for television broadcasting business.

Other revenue

The Group's other revenue for the year ended 31 March 2012 amounted to approximately HK$217,000 (2011: HK$544,000).

Administrative expenses

The Group's administrative expenses for the year ended 31 March 2012 increased by approximately 204.8% to approximately HK$32.7 million as compared with that for the previous year (2011: HK$10.7 million). The administrative expenses mainly consisted of legal and professional fees, share-based payment expenses, staff costs (including Directors' remuneration) and business development expenses. The increase in the administrative expenses was mainly attributable to the costs incurred in connection with the acquisition of entire equity interests in Xinhua TV Asia-Pacific and the full recognition of share-based payment expenses due to cancellation of share options arrangement and the increase in legal and professional fees for services provided by professional parties after Listing.

Finance costs

The Group's finance costs for the year ended 31 March 2012 increased by approximately 39.6 times to approximately HK$13.9 million as compared with that for the previous year (2011: HK$341,000). The increase was mainly attributable to the incurrence of interest expenses for the promissory note and Convertible Notes.

Net loss

The Group recorded a net loss attributable to owners of the Company of approximately HK$704.9 million (2011: net profit of approximately of HK$9.7 million) for the year ended 31 March 2012. The net loss was mainly resulted from incurrence of impairment loss in respect of goodwill, the decrease in gross profit margin, finance costs on the promissory note and Convertible Notes, increase in legal and professional fees in administrative expenses and full recognition of share-based payment expenses upon cancellation share options arrangement.

Loss per Share

The basic loss per Share was approximately HK55.16 cents (2011: earnings per Share HK1.09 cents).

Prospects

In relation to the acquisition of Xinhua TV Asia-Pacific and its subsidiaries, the Group has issued certain profit warning announcements during the year ended 31 March 2012 and informed the public that impairment loss in respect of goodwill and certain costs incurred in the acquisition, including one-off legal and professional incurred in the acquisition, amortisation charges on the television broadcasting right and finance costs on the Convertible Notes would have a significant impact on the Group's results. Except for the impairment loss in respect of goodwill and one-off legal and professional fees, the annual expenses for both amortisation charges on the television broadcasting right and finance costs on the Convertible Notes are recurring in nature and are expected to have continuing effect on the Group's results up to the respective expiry date of television broadcasting right (i.e. 31 August 2021) and the Convertible Notes (i.e. 9 December 2014).

Provision of Waterworks and Civil Services

The performance of Group's waterworks business was comparable to the previous financial year. During the year ended 31 March 2012, the Group has obtained two new waterworks contracts. On 7 October 2011, TY Civil received a confirmation letter from the Works Branch of the Government that it has been included in the List of Approved Contractors for Public Works (Waterworks) ("Approved List") under Group C on a probation status. As a result, TY Civil is eligible to tender for waterworks contracts with value exceeding HK$75 million ("Group C"), subject to two conditions: (1) the total number of Group C contract already held and being procured does not exceed two Group C contracts and (2) the total value of works in Group C contract(s) already held and being procured does not exceed HK$220 million in aggregate. The inclusion of TY Civil in the Approved List under Group C enables the Group to take up contracts of a larger scale and capture more potential business opportunities.

In the coming years, it is believed that the replacement and rehabilitation programme of water mains (the "R&R Programme") launched by WSD will continue to open up numerous waterworks opportunities to the Group. According to WSD, Stage 4 Phase 1 of the R&R Programme has commenced in March 2011 and will be completed in 2015. About 500 kilometres of water mains will be replaced and rehabilitated at this stage. Stage 4 Phase 2 of the R&R Programme is scheduled to commence in January 2012 and will be completed in 2015. About 350 kilometres of water mains will be replaced and rehabilitated at this stage. On 16 December 2011, the Group has successfully obtained another new main construction of Pak Shek Kok Fresh Water Service Reservoir Extension (contract numbered 8/WSD/11), with contract sum of approximately HK$45.7 million.

Going forward, the Group will continue to improve its quality of service and enhance management capabilities and competitiveness to bid for more rewarding engineering contracts in Hong Kong and to further scale up the Group's business.

Television Broadcasting Business

Following the completion of the acquisition of Xinhua TV Asia-Pacific and its subsidiaries, the Group diversified its business to television broadcasting business. Xinhua TV Asia-Pacific has developed a broadcasting network of television channels with relatively extensive scale. Currently, it is broadcasting the television programmes relating to information contents from Xinhua News Agency in Hong Kong, Macau, Thailand, New Zealand and Mongolia. Its broadcasting scope will be extended to more countries as time progresses. Leveraging on the extensive network of reporters worldwide and resources available to Xinhua News Agency in producing television programmes, it is believed that viewership will increase with appropriate promotional effort and therefore the business will bring in substantial advertising and related revenue to the Group in the future.

With the commencement of television broadcasting business during the year ended 31 March 2012, the Group will produce a ten-episode television feature programme "Hong Kong, Hong Kong" for the purpose of promoting Hong Kong to the world. The television feature programme is the first locally produced television programme of the Group after the completion of acquisition of Xinhua TV Asia-Pacific. The television feature programme is expected to be broadcasted on the China Xinhua News Network World Channel (Chinese) and China Xinhua News Network World Channel (English) and its other underlying new media platforms including Internet TV and mobile TV. The television feature programme is expected to be broadcasted during the period from 25 June 2012 to 4 July 2012. The Group has already secured advertisement placements during the broadcasting period of the television feature programme and received advertisement placement fees amounting to HK$500,000. The advertisement placement fee will be recognised as the Group's advertising revenue once the television feature programme is broadcasted.

Comparison between Business Objectives with Actual Business Progress

An analysis comparing the business objectives as stated in the Prospectus with the Group's actual business progress for the year ended 31 March 2012 is set out below:

Business objectives for the year ended 31 March 2012 as stated in the Prospectus	Actual business progress up to 31 March 2012
Expansion of business scale	
• Acquire the equipment and machinery and recruit the project management and technical personnel required for implementation of the waterworks contracts (the "Prospective Projects")	• No Prospective Projects have been obtained
• Implementation of the contract numbered 9/WSD/09 (the "New Project") and the Prospective Projects	• The Group is implementing the New Project
• Implementation of the New Project and the Prospective Projects contracts in progress	• Implementing of the New Project is in progress
Further enhancement in work quality	
• Implementation of the steps or procedures formulated to address the areas of improvement	• The Group has implemented the steps and procedures formulated to address the areas of improvement
• Review the quality assurance policy after implementation of the aforesaid steps and procedures	• The Group has reviewed the quality assurance policy after implementation of the aforesaid steps and procedures
• Maintain ongoing quality assurance review on the works performed by the Group	• The Group has been maintaining ongoing quality assurance review on the works performed by the Group
Strengthening of safety team	
• Implementation of the steps or procedures formulated to address the areas of improvement	• The Group has implemented the steps and procedures formulated to address the areas of improvement
• Review the safety policy after implementation of the aforesaid steps and procedures	• The Group has reviewed the safety policy after implementation of the aforesaid steps and procedures
• Maintain ongoing inspection at the work site to ensure the safety policy is properly implemented	• The Group has been maintaining ongoing inspection at the work site to ensure the safety policy is properly implemented

Use of Proceeds

As disclosed in the Prospectus, the net proceeds from the placing of Shares for the Listing, after deducting the underwriting fees and the estimated expenses payable by the Company in connection thereto, were expected to be approximately HK$21.0 million. The actual net proceeds from the placing, after deducting the underwriting fees and expenses paid by the Company in connection thereto, were approximately HK$20.2 million. The difference of approximately HK$0.8 million is mainly attributable to the higher costs in printing and auditing, and the incurring of cost for tax review and disbursements.

During the year ended 31 March 2012, the net proceeds from the placing had been applied as follows:

	Planned use of proceeds as stated in the Prospectus during the year ended 31 March 2012 (HK$ million)	Actual use of proceeds during the year ended 31 March 2012 (HK$ million)
Expansion of business scale		
• Acquisition of equipment and machinery	**2.00**	2.00
• Recruitment of additional staff	**2.00**	2.00
Further enhancement in work quality		
• Recruitment of additional quality assurance staff	**0.40**	0.40
Strengthening of safety team		
• Recruitment of safety staff	**0.56**	0.56
• Repayment of finance leases	**0.88**	0.88
	5.84	5.84

Notes:

(a) The business objectives as stated in the Prospectus were based on the best estimation of the future market conditions made by the Group at the time of preparing the Prospectus. The use of proceeds were applied in accordance with the actual development of the market.

(b) The unused net proceeds as at 31 March 2012 have been placed as interest bearing deposits with licensed bank in Hong Kong.

Capital Structure

The Shares were listed on GEM on 30 August 2010. The capital of the Group comprises only ordinary shares.

On 8 July 2011, the Company entered into a placing agreement with Emperor Securities Limited pursuant to which the Company agreed to place a maximum of 198,400,000 new Shares to not less than six placees at a price of HK$0.173 per placing Share. The placing of new Shares was completed on 21 July 2011 and raised gross proceeds of approximately HK$34.3 million.

On 9 December 2011, 474,335,664 new Shares together with Convertible Notes of principal amount of approximately HK$607.0 million were issued as consideration for the acquisition of Xinhua TV Asia-Pacific and its subsidiaries.

On 29 March 2012, the Company entered into top-up placing and subscription agreements with Lotawater and Polaris Securities (Hong Kong) Limited to place an aggregate of 10,000,000 Shares to not less than six placees at a price of HK$1.0 per placing Share. The top-up placing and subscription was completed on 12 April 2012 and raised gross proceeds of HK$10.0 million.

Total equity attributable to owners of the Company amounted to approximately HK$70.5 million as at 31 March 2012 (31 March 2011: HK$45.8 million). The increase was mainly attributable to issuance of Shares upon acquisition of subsidiaries and the funds raised from the placing exercises during the year.

Liquidity and Financial Resources

During the year ended 31 March 2012, the Group generally financed its operations through internally generated cash flows, borrowings, Convertible Notes, promissory note and net proceeds from the placing exercises.

As at 31 March 2012, the Group had net current assets of approximately HK$7.8 million (31 March 2011: HK$34.9 million), including cash balance of approximately HK$10.0 million (31 March 2011: HK$16.2 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 1.09 as at 31 March 2012 (31 March 2011: 2.31), which was maintained at a healthy level. The decrease in net current assets and also current ratio was primarily due to higher trade and other payables as a result of more business activities and business development and utilisation of cash and cash equivalents for investments in China New Media during the year.

Gearing Ratio

The gearing ratio, which is based on the amount of total bank borrowings, promissory note, Convertible Notes, finance lease payables and advance received from customers divided by total assets, was 72.3% as at 31 March 2012 (31 March 2011: 9.2%). The increase was resulted from the issuance of promissory note and Convertible Notes and the increase in finance lease payables and new bank loans raised.

Foreign Exchange Exposure

As the revenue and cost of services are principally denominated in Hong Kong dollars, the exposure to the risk of foreign exchange rate fluctuations for the Group is minimal. Hence, no financial instrument for hedging was employed.

Capital Commitment

As at 31 March 2012, the Group had an outstanding commitment of approximately HK$1.3 million in respect of acquisition of property, plant and equipment. Save as aforesaid, the Group did not have any significant capital commitments (31 March 2011: Nil).

Charges on the Group's Assets

As at 31 March 2012, the Company pledged approximately HK$2.0 million time deposit for a HK$10.0 million bank facility. The outstanding amount of the loan facility was approximately HK$3.2 million as at 31 March 2012. The Group's motor vehicles with net book value as at 31 March 2012 amounted to approximately HK$4.9 million (31 March 2011: HK$1.7 million) were held under finance lease. As at 31 March 2012, the Group pledged its machinery and motor vehicles with net book values of approximately HK$1.2 million (31 March 2011: nil) and approximately HK$6.3 million (31 March 2011: nil) respectively as securities for its performance of being a sub-contractor of the Replacement and Rehabilitation of Waters mains, stage 4, phase 1 — mains in Tuen Mun, Yuen Long, North District and Tai Po.

Contingent Liabilities

As at 31 March 2012, the Group did not have any material contingent liabilities (31 March 2011: Nil).

Information on Employees

As at 31 March 2012, the Group had 229 full-time employees in Hong Kong and over 90% of them are direct labour. Total staff costs (including remuneration of the Directors) for the year ended 31 March 2012 amounted to approximately HK$55.8 million (2011: HK$38.3 million), representing an increase of approximately 45.5% over that for the previous year. The increase was mainly due to the increase in the number of staff to support the expansion of the Group's business and grant of share options.

Significant Investment Held

On 28 July 2011, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement in respect of the acquisition of 17% equity interests of China New Media for an aggregate consideration of approximately HK$70.0 million upon fulfillment of certain conditions. Completion of the acquisition took place on 11 August 2011. Details of this acquisition are set out in the Company's announcement dated 28 July 2011.

Except for investment in subsidiaries and acquisition as disclosed above, during the year ended 31 March 2012 and as at the end of the reporting period, the Group did not hold any significant investment in equity interest in any company.

Future Plans for Material Investments and Capital Assets

Save as disclosed in the Prospectus, the Group did not have other plans for material investments and capital assets.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

Except for acquisition of Xinhua TV Asia-Pacific and its subsidiaries in December 2011, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies during the year ended 31 March 2012.

Biographical Details of Directors and Senior Management

Directors

Executive Directors

Mr. Wu Jin Cai (吳錦才), aged 49, is the chairman of the Board and is responsible for the overall business planning and corporate strategy of the Group. Mr. Wu is a professional senior reporter (高級記者) of Xinhua News Agency. Mr. Wu joined Xinhua News Agency in July 1982 after graduating from University of Nanjing and has about 30 years of experience in the media industry. Being regarded as professional senior reporter, he has held the positions of reporter and editor in financial and economical businesses during his 30 years with Xinhua News Agency. Mr. Wu was awarded the "Government Special Grant (政府特殊津貼)" by the Council of the PRC for his contribution on journalism in 1992. He is the deputy editor in chief of Xinhua News Agency, the officer of Xinhua News Agency Audio and Video News Desk and a director of China Xinhua NNC. In the last three years, he held no directorships in any listed public companies. Mr. Wu has entered into a service contract with the Company for an initial term of three years commencing from 9 December 2011, and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other or three months' salary being payment in lieu of notice.

Mr. Zou Chen Dong (鄒陳東), aged 43, is the chief executive officer of the Group and is responsible for overseeing the overall project management and the daily operation. Mr. Zou is a reporter superior (主任記者) of Xinhua News Agency. Mr. Zou graduated from the Department of Journalism of China People's Liberation Army Nanjing School of Department Political Science (中國人民解放軍南京政治學院新聞系) in 1990 and joined Xinhua News Agency in 2001. He was a reporter of Tibet People's Broadcast Television (西藏人民廣播電台) and Tibet Television (西藏電視台) in 1991, a reporter in China Central People's Broadcast Television (中國中央人民廣播電台) in 1994, a reporter in a Tibet correspondent of New China Agency People's Liberation Army in 2001 and the news director of Shanghai Securities News (上海證券報) in 2007. Mr. Zou is a director of China Xinhua NNC. Mr. Zou has about 20 years of experience in the media industry. In the last three years, he held no directorships in any listed public companies. Mr. Zou has entered into a service contract with the Company for an initial term of three years commencing from 9 December 2011, and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other or three months' salary being payment in lieu of notice.

Ms. Wu Xu Hong (吳旭紅), aged 43, is the chief financial officer of the Group. She is an editorial superior (主任編輯) of Xinhua News Agency. Ms. Wu obtained a double degree from the Department of Television Broadcasting Engineering and Journalism of the Communication University of China (中國傳媒大學) (formerly known as Beijing Broadcasting Institute (北京廣播學院)) in 1990 and 1995. Ms. Wu joined Xinhua News Agency in 1995. She was the officer in charge of the current affairs department, administration-in-charge officer and a committee member of the Xinhua News Agency Women's Commission. She is the general manager of Xinhua News Agency Audio and Video News Desk. Ms. Wu is also a director of China Xinhua NNC. Ms. Wu has about 16 years of experience in the media industry. In the last three years, she held no directorships in any listed public companies. Ms. Wu has entered into a service contract with the Company for an initial term of three years commencing from 9 December 2011, and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other or three months' salary being payment in lieu of notice.

Mr. Kan Kwok Cheung (簡國祥), aged 47, is the founder of the Group. Mr. Kan formed TYW and TY Civil in 1996 and 2000 respectively and has been the director of both companies since their formation. Mr. Kan has over 21 years of experience in handling civil engineering projects of various types. In the last three years, he held no directorships in any listed public companies. Mr. Kan has entered into a service contract with the Company for an initial term of three years commencing from 11 August 2010, and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other or three months' salary being payment in lieu of notice. In addition, Mr. Kan has entered into an employment contract with TYW to act as the director of TYW for a continuous term commencing from 6 February 1996 until terminated by not less than thirty days' notice in writing served by either party on the other or thirty days' salary being payment in lieu of notice.

Mr. Cheng Ka Ming, Martin (鄭家銘), aged 61, joined the Group as a director of TYW and a director of TY Civil in May 2009. Mr. Cheng obtained a bachelor's degree in civil engineering from the National Cheng Kung University, Taiwan in 1973 and a master's degree in analytical soil mechanics from the King's College, University of London in 1975. He has over 30 years of experience in the construction industry. Mr. Cheng was an independent non-executive director and a member of the audit committee of a Hong Kong listed company, Mongolia Investment Group Limited (Stock Code: 402) from 1 October 2008 to 20 February 2009. Save as disclosed above, he held no directorships in other listed public companies in the last three years. He has entered into a service contract with the Company for an initial term of three years commencing from 11 August 2010, and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other or three months' salary being payment in lieu of notice. In addition, Mr. Cheng has entered into an employment contract with TYW to act as the director of TYW for a continuous term commencing from 1 May 2009 until terminated by not less than thirty days' notice in writing served by either party on the other or thirty days' salary being payment in lieu of notice.

Mr. Chia Thien Loong, Eric John (謝天龍), aged 42, is the compliance officer of the Group and is responsible for the financial and compliance aspects of the Group. Mr. Chia has over 15 years of experience in corporate finance, management and investment and he joined the Group as director of TYW and TY Civil in May 2009. Mr. Chia graduated with a degree of Bachelor of Science in accounting and finance from Purdue University, Indiana, USA in 1994. In the last three years, he held no directorships in any listed public companies. He has entered into a service contract with the Company for an initial term of three years commencing from 11 August 2010, and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other or three months' salary being payment in lieu of notice. In addition, Mr. Chia has entered into an employment contract with TYW to act as the director of TYW for a continuous term commencing from 1 May 2009 until terminated by not less than thirty days' notice in writing served by either party on the other or thirty days' salary being payment in lieu of notice.

Mr. Hui Chi Kwong (許志光), aged 30, graduated from The Hong Kong University of Science and Technology with a bachelor of engineering in computer science (information engineering) in 2006. He has over five years of experience in insurance and investment sales. In the last three years, Mr. Hui did not hold any directorships in any listed public companies. He has entered into a service contract with the Company for an initial term of three years commencing from 2 June 2011, and will continue thereafter until terminated by not less than three months' notices in writing served by either party on the other or three months' salary being payment in lieu of notice.

Non-Executive Director

Ms. Liang Hui (梁慧), aged 44, has been appointed by the Company as non-executive Director on 9 December 2011. Ms. Liang is a senior qualified accountant in the PRC. In July 2006, she was appointed to take part in the national senior accountant leader training (Administration Affairs) (國家高級會計師領導培訓(行政事務)) held by the Ministry of Finance. She was the officer in charge of the accounting technology department (技術局經管處主管會計), department of financial technology (技術局財務部主任), department of statistics audit (技術局統計核算部主任) and Commissioner of Financial Assets Management (計財局資金管理處處長) of Xinhua News Agency. Ms. Liang, joined Xinhua News Agency in 1992, is the Commissioner of Financial Assets Management (計財局資金管理處處

長) of Xinhua News Agency and financial controller of China Xinhua NNC. Ms. Liang has about 20 years of experience in the accounting and finance sector of the media industry. In the last three years, Ms. Liang did not hold any directorships in any listed public companies.

Independent Non-Executive Directors

Mr. Chan Hon Yuen (陳翰源), aged 31, has been appointed as an independent non-executive Director with effect from 25 July 2011. Mr. Chan holds a bachelor's degree in accountancy from The Hong Kong Polytechnic University. Mr. Chan has extensive experiences in auditing, accounting and financial management. Mr. Chan previously worked as an Assistant Accounting Manager in a listed multinational construction and engineering group, and also worked at one of the reputable international accounting firms and was involved in various listed company audit engagements. Mr. Chan is a member of Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. Mr. Chan is an independent non-executive director of Bao Yuan Holdings Limited (stock code: 692), a company listed on the Main Board of the Stock Exchange, since 30 June 2011. Save as disclosed above, Mr. Chan did not hold any directorships in any other listed public companies in the last three years. He has not, by himself or through his firm in which he practices, provided professional services to the Company during the year ended 31 March 2012.

Mr. Chu Siu Lun, Ivan (朱兆麟), aged 30, has been appointed as an independent non-executive Director with effect from 18 July 2011. Mr. Chu graduated from Bolton Institute of Higher Education (now the University of Bolton) with a bachelor of arts in business studies in 2004. Mr. Chu is an associate of Institute of Financial Accountants. Mr. Chu has over four years of experience in finance and accounting advisory. He is a director of HUDA Asia Investments Limited since September 2007. In the last three years, Mr. Chu did not hold any directorships in any listed public companies. He has not, by himself or through his firm in which he practices, provided professional services to the Company during the year ended 31 March 2012.

Mr. Hau Chi Kit (侯志傑), aged 40, has been appointed by the Company as the independent non-executive Director on 16 May 2011. Mr. Hau graduated from University of Oregon, the United States of America, with a bachelor of science in economics in 1994, passed a common professional examination in College of Law, Guildford, the United Kingdom, in 1999 and obtained a postgraduate certificate in laws from The University of Hong Kong in 2000. During the period from 2002 to 2008, Mr. Hau practiced as a barrister-at-law in Hong Kong. Prior to becoming a barrister, Mr. Hau worked at the Securities and Futures Commission. Currently, Mr Hau is a solicitor in private practice. Mr. Hau was appointed as an independent non-executive director and was redesignated as a non-executive director of Amax Entertainment Holdings Limited (stock code: 959), a company listed on the Main Board of the Stock Exchange, on 29 August 2008 and 6 October 2008 respectively. He resigned from the above directorship on 30 March 2009. Save as disclosed above, Mr. Hau did not hold any directorships in any other listed public companies in the last three years. He has not, by himself or through his firm in which he practices, provided professional services to the Company during the year ended 31 March 2012.

Senior Management

Contracts Manager

Mr. Leung Hon Chung (梁漢忠), aged 54, has been the contracts manager of TYW since August 2008. Mr. Leung is experienced in overseeing contractual matters in relation to construction projects and has over 31 years of experience in project management for civil engineering projects. Mr. Leung obtained a diploma in civil engineering and a higher certificate in civil engineering from the Hong Kong Polytechnic (now The Hong Kong Polytechnic University) in 1978 and 1980 respectively. In the last three years, Mr. Leung held no directorships in any listed public companies.

Company Secretary

Ms. Li Yuet Tai (李月弟), aged 29, joined the Company in September 2011 as the Assistant to Chief Financial Officer. Ms. Li holds a bachelor's degree in business administration in Professional Accountancy from The Chinese University of Hong Kong and has over 7 years of working experience in auditing and accounting in Hong Kong and the PRC. Ms. Li is a member of Hong Kong Institute of Certified Public Accountants. Prior to joining the Company, Ms. Li has served in an international accounting firm for five years. In the last three years, Ms. Li held no directorships in any listed public companies.

Administration Officer

Ms. Kan May Bo, Mabel (簡美寶), aged 44, has been working in TYW since October 1996. Ms. Kan has over 13 years of experience in clerical and administrative work. Ms. Kan is currently the administration officer of the Group and is responsible for the general administration of the Group. In the last three years, Ms. Kan held no directorships in any listed public companies.

Corporate Governance Report

The Board hereby presents this Corporate Governance Report for the year ended 31 March 2012.

Corporate Governance Practices

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and enhance the performance of the Group.

The Company has applied the principles and code provisions in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 to the GEM Listing Rules.

In the opinion of the Board, the Company has complied with the Code throughout the year ended 31 March 2012.

Directors' Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by Directors on terms which are the same as the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules.

The Company periodically issues notices to its Directors reminding them of the general prohibition on dealing in the Company's listed securities during the blackout periods before the publication of announcements of financial results.

The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the required standards of dealings throughout the period under review. The Company was not aware of any non-compliance in this respect throughout the year ended 31 March 2012.

Board of Directors

The Board is accountable for promoting the success of the Company by directing and supervising its affairs in a responsible and effective manner. Each Director has a duty to act in good faith and in the best interests of the Company.

Matters reserved for the Board include, but not limited to:

- approval of the Group's long term objectives and strategy, policies and annual budgets;
- oversight of the Group's operations and management;
- approval of major changes to the Group's corporate structure, management and control structure;
- approval of quarterly, interim and annual results;
- approval of any significant changes in accounting policies or practices;
- responsible for the system of internal control and risk management; and
- approval of matters in relation to Board membership and Board remuneration.

The Board currently comprises eleven Directors, including seven executive Directors, one non-executive Director and three independent non-executive Directors and at least one of the independent non-executive Directors has appropriate professional qualifications, or accounting or related financial management expertise. The composition of the Board is set out as follows:

Executive Directors
Mr. Wu Jin Cai *(Chairman) (appointed on 9 December 2011)*
Mr. Zou Chen Dong *(Chief Executive Officer) (appointed on 9 December 2011)*
Ms. Wu Xu Hong *(Chief Financial Officer) (appointed on 9 December 2011)*
Mr. Kan Kwok Cheung
Mr. Cheng Ka Ming, Martin
Mr. Chia Thien Loong, Eric John
Mr. Hui Chi Kwong *(appointed on 2 June 2011)*

Non-Executive Director
Ms. Liang Hui *(appointed on 9 December 2011)*

Independent Non-Executive Directors
Mr. Chan Hon Yuen *(appointed on 25 July 2011)*
Mr. Chu Siu Lun, Ivan *(appointed on 18 July 2011)*
Mr. Hau Chi Kit *(appointed on 16 May 2011)*
Mr. Lim Hung Chun *(resigned on 18 July 2011)*
Mr. Lo Ho Chor *(resigned on 25 July 2011)*
Mr. Sung Lee Kwok *(resigned on 16 May 2011)*

Biographical details of the Directors are set out in the "Biographical Details of Directors and Senior Management" section on pages 19 to 22 of this report.

There are no relationships (including financial, business, family or other material or relevant relationships) among members of the Board.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of the independent non-executive Directors are independent.

During the year ended 31 March 2012, the Board had convened total twenty-seven meetings, four of which are in regular nature. The attendance record of individual Director at the Board and committees' meetings are set out in page 28 of this report.

Chairman and Chief Executive Officer

The role and duties of the chairman and the chief executive officer of the Company are carried out by different individuals.

Up to 8 December 2011, the chairman of the Board was Mr. Kan Kwok Cheung. Upon Mr. Kan Kwok Cheung's resignation, Mr. Wu Jin Cai was appointed as the chairman of the Board in his stead. The Chairman provides strategic and business directions to the Board and ensures its effectiveness in all aspects.

Up to 8 December 2011, the chief executive officer of the Company was Mr. Chia Thien Loong, Eric John. Upon Mr. Chia Thien Loong, Eric John's resignation, Mr. Zou Chen Dong was appointed as the chief executive officer of the Company in his stead. Chief executive officer of the Company is responsible for the Company's day-to-day management and operations and focuses on implementing objectives, policies and strategies approved and delegated by the Board.

Appointment, Re-Election and Removal

Each of the executive Directors has entered into a service contract with the Company for an initial fixed term of three years subject to retirement by rotation and re-election at the AGM pursuant to the articles of association of the Company. In the case of Mr. Kan Kwok Cheung, Mr. Cheng Ka Ming, Martin and Mr. Chia Thien Loong, Eric John, their service term commenced on 11 August 2010; in the case of Mr. Hui Chi Kwong, his service term commenced on 2 June 2011; and in the case of Mr. Wu Jin Cai, Mr. Zou Chen Dong and Ms. Wu Xu Hong, their service term commenced on 9 December 2011.

The non-executive Director was appointed for a specific term of three years from 9 December 2011, subject to retirement by rotation and re-election at the AGM pursuant to the articles of association of the Company.

Each of the independent non-executive Directors was appointed for a specific term of three years, subject to retirement by rotation and re-election at the AGM pursuant to the articles of association of the Company. In the case of Mr. Hau Chi Kit, his appointment term commenced on 16 May 2011; in the case of Mr. Chu Siu Lun, Ivan, his appointment term commenced on 18 July 2011; and in the case of Mr. Chan Hong Yuen, his appointment term commenced on 25 July 2011.

In accordance with the articles of association of the Company, at each AGM one third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Such retiring Directors may, being eligible, offer themselves for re-election at the AGM. All Directors appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after their appointment and be subject to re-election at such meeting and all Directors appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election.

None of the Directors has a service contract with any member of the Group which is not determinable by the relevant employer within one year without payment of compensation, other than statutory compensation.

Board Committees

The Board has established three committees, namely audit committee (the "Audit Committee"), nomination committee (the "Nomination Committee") and remuneration committee (the "Remuneration Committee"), to oversee particular aspects of the Company's affairs. Their respective terms of reference are set out in the Company's website.

Audit Committee

The Company has established the Audit Committee on 11 August 2010 with terms of reference in compliance with paragraph C3.3 of the Code.

The primary duties of the Audit Committee include, among other things, reviewing and supervising the financial reporting process and internal control systems, as well as the overall risk management of the Group, reviewing the financial statements and the quarterly, interim and annual reports of the Group, and reviewing the terms of engagement and scope of audit work of the external auditors.

The composition of the Audit Committee is as follows:

Independent Non-Executive Directors
Mr. Chan Hon Yuen *(Chairman) (appointed on 25 July 2011)*
Mr. Chu Siu Lun, Ivan *(appointed on 18 July 2011)*
Mr. Hau Chi Kit *(appointed on 16 May 2011)*
Mr. Lim Hung Chun *(resigned on 18 July 2011)*
Mr. Lo Ho Chor *(resigned on 25 July 2011)*
Mr. Sung Lee Kwok *(resigned on 16 May 2011)*

Non-Executive Director
Ms. Liang Hui *(appointed on 9 December 2011)*

The members of the Audit Committee possess diversified industry experience and the chairman of the Audit Committee has appropriate professional qualifications and experience in accounting matters.

During the year, the Audit Committee had reviewed the first quarterly results for three months ended 30 June 2011, the interim results for the six months ended 30 September 2011, the third quarterly results for the nine months ended 31 December 2011 and the annual results for the year ended 31 March 2012 and is of the opinion that the preparation of such results complied with the applicable accounting standards and that adequate disclosures have been made.

The accounts for the year were audited by HLB Hodgson Impey Cheng whose term of office will expire upon the forthcoming AGM. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganised as HLB Hodgson Impey Cheng Limited. The Audit Committee has recommended to the Board that HLB Hodgson Impey Cheng Limited be nominated for appointment as the auditors of the Company at the forthcoming AGM.

Nomination Committee

The Company has established the Nomination Committee on 11 August 2010 with terms of reference in compliance with paragraph A.4.5 of the Code.

The primary duties of the Nomination Committee include reviewing the structure, size and composition of the Board, identifying and nomination of directors and making recommendations to the Board on appointment and re-appointment of Directors.

The composition of the Nomination Committee is as follows:

Executive Directors
Mr. Wu Jin Cai *(Chairman) (appointed on 27 March 2012)*
Mr. Kan Kwok Cheung *(resigned on 27 March 2012)*

Non-Executive Director
Ms. Liang Hui *(appointed on 9 December 2011)*

Independent Non-Executive Directors
Mr. Chan Hon Yuen *(appointed on 25 July 2011)*
Mr. Chu Siu Lun, Ivan *(appointed on 18 July 2011)*
Mr. Hau Chi Kit *(appointed on 27 March 2012)*
Mr. Lim Hung Chun *(resigned on 18 July 2011)*
Mr. Lo Ho Chor *(resigned on 25 July 2011)*

When identifying suitable candidates for directorship, the Nomination Committee will carry out the selection process by making reference to the skills, experience, education background, professional knowledge, personal integrity and time commitments of the proposed candidates, and also the Company's needs and other relevant statutory requirements and regulations. Qualified candidates will then be recommended to the Board for approval.

During the year ended 31 March 2012, the Nomination Committee had convened a meeting to consider the appointment of Mr. Wu Jin Cai, Mr. Zou Chen Dong and Ms. Wu Xu Hong as executive Directors and Ms. Liang Hui as a non-executive Director.

Remuneration Committee

The Company has established the Remuneration Committee on 11 August 2010 with terms of reference in compliance with paragraph B.1.2 of the Code.

The primary duties of the Remuneration Committee include, among other things, formulating and making recommendations to the Board on the remuneration policy, determining the specific remuneration packages of all executive Directors and senior management and making recommendations to the Board of the remuneration of non-executive Directors.

The composition of the Remuneration Committee is as follows:

Executive Director
Mr. Kan Kwok Cheung *(resigned on 27 March 2012)*

Non-Executive Director
Ms. Liang Hui *(appointed on 9 December 2011)*

Independent Non-Executive Directors
Mr. Hau Chi Kit *(Chairman) (appointed on 16 May 2011 and redesignated as chairman on 27 March 2012)*
Mr. Chu Siu Lun, Ivan *(appointed on 18 July 2011)*
Mr. Lo Ho Chor *(resigned on 25 July 2011)*
Mr. Sung Lee Kwok *(resigned on 16 May 2011)*

During the year ended 31 March 2012, the Remuneration Committee had considered the revision of Directors' remuneration by way of written resolution.

Attendance Records of Meetings

The Board is scheduled to meet regularly at least four times a year, and Directors will receive at least 14 days prior written notice of such meetings. For any ad hoc Board meetings, Directors are given as much notice as is reasonably practicable in those circumstances. Agendas and accompanying papers are sent not less than 3 days before the date of Board meetings to ensure that the Directors are given sufficient time to review the same.

Details of the Directors' attendance at Board and committees' meetings for the year ended 31 March 2012 are set out below:

	Board	Audit Committee	Nomination Committee	Remuneration Committee
Number of meetings	27	4	6	7
Executive Directors				
Wu Jin Cai *(appointed on 9 December 2011)*	8/8	—	—	—
Zou Chen Dong *(appointed on 9 December 2011)*	8/8	—	—	—
Wu Xu Hong *(appointed on 9 December 2011)*	8/8	—	—	—
Kan Kwok Cheung	27/27	—	6/6	7/7
Cheng Ka Ming, Martin	26/27	—	—	—
Chia Thien Loong, Eric John	27/27	—	—	—
Hui Chi Kwong *(appointed on 2 June 2011)*	25/25	—	—	—
Non-Executive Director				
Liang Hui *(appointed on 9 December 2011)*	8/8	1/1	1/1	—
Independent Non-Executive Directors				
Chan Hon Yuen *(appointed on 25 July 2011)*	17/18	3/3	2/2	—
Chu Siu Lun, Ivan *(appointed on 18 July 2011)*	21/21	3/3	3/3	3/3
Hau Chi Kit *(appointed on 16 May 2011)*	24/26	4/4	—	5/6
Lim Hung Chun *(resigned on 18 July 2011)*	6/6	1/1	3/3	—
Lo Ho Chor *(resigned on 25 July 2011)*	9/9	1/1	4/4	4/4
Sung Lee Kwok *(resigned on 16 May 2011)*	1/1	—	—	—
Average attendance rate	99%	100%	100%	96%

Respective Responsibilities of Directors and External Auditors

The Directors are responsible for the preparation of the Financial Statements, which give a true and fair view of the state of affairs, results and cash flows of the Group in accordance with relevant law and disclosure requirements under the Listing Rules.

The statement of the auditors of the Company about their reporting responsibilities on the Financial Statements is set out in "Independent Auditors' Report" section on pages 41 and 42 of this report.

Auditors' Remuneration

The remuneration in respect of audit and non-audit services provided by the Company's auditors during the year ended 31 March 2012 is analysed below:

Type of services provided by the external auditors	Remuneration HK$'000
Audit services	500
Non-audit services:	
Reviewing the Company's first quarterly report for the three months ended 30 June 2011	70
Reviewing the Company's interim report for the six months ended 30 September 2011	75
Total	645

The audit services are provided by HLB Hodgson Impey Cheng for the year ended 31 March 2012, while the non-audit services are provided by BDO Limited during the year ended 31 March 2012.

Internal Control

The Board has overall responsibility for maintaining the soundness and effectiveness of the internal control system of the Group to safeguard the Shareholders' investment and the Group's assets.

During the year ended 31 March 2012, the Company has reviewed the effectiveness of the Group's internal control system.

Shareholders' rights

The Board believes that general meetings can provide an open forum for communication between the Board and the Shareholders. Shareholders are encouraged to attend general meetings of the Company and give valuable advices to the Company through this direct communication platform. The Company will convene AGM every year and convene any other extraordinary general meeting ("EGM") as required.

1. The way in which Shareholders can convene an EGM

Any one or more Shareholders holding not less than 10% of the issued share capital at the time of deposit of the requisition and carrying the right of voting at general meeting can deposit a written request to convene an EGM.

The written request must state the purposes of the meeting, signed by the Shareholders concerned and deposited to the Board or the company secretary at the Company's principal place of business at Rooms 2601-2605, 26/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, and may consist of several documents in like form each signed by one or more Shareholders. The request will be verified with the Company's share registrar and upon its confirmation that the request is proper and in order, the company secretary will notify the Board to convene an EGM and include the resolution in the agenda. The Board shall convene and hold such general meeting within two months after the deposit of such requisition. If the request is verified to be not in order, Shareholders concerned will be advised of the result and no EGM will be convened.

If within twenty-one days of such deposit, the Board fails to proceed to convene such general meeting, the Shareholders or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, but any EGM so convened shall not be held after the expiration of three months from the said date.

2. **The procedures for sending enquiries to the Board**

Shareholders who wish to raise any queries with the Board may write to the the Company's investor relationship contact at Rooms 2601-2605, 26/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, by phone on +852 3104 2962 or by email at cnc@cnctv.hk.

3. **The procedures for making proposals at Shareholders' meetings**

To put forward proposals at Shareholders' meetings, the Shareholders shall submit a written notice of those proposals with the detail contact information to the company secretary at the Company's principal place of business. The request will be verified with the Company's share registrar and upon its confirmation that the request is proper and in order, the company secretary will ask the Board to include the resolution in the agenda for the general meeting.

Investor relations

The Company's corporate website is www.cnctv.hk. The Company may from time to time conduct investor/analysts briefings and presentations, roadshows, media interviews, marketing activities for investors and specialist industry forums etc.

All corporate communication materials published on the GEM website (http://www.hkgem.com) are posted on the Company's corporate website as soon as practicable after their release. The Company's constitutional documents are also available on our website. No significant changes were made to these documents during the year ended 31 March 2012. Information on our website will be updated on a regular basis.

Directors' Report

The Directors are pleased to present this annual report together with the Financial Statements for the year ended 31 March 2012.

Principal Activities

The Company is an investment holdings company and provision of management services and its subsidiaries are principally engaged in the provision of waterworks engineering services, road works and drainage services and site formation works for the public sector in Hong Kong and the television broadcasting business in the Asia-Pacific Region (excluding the PRC).

Results and Dividends

The Group's results for the year ended 31 March 2012 are set out in the consolidated statement of comprehensive income on page 43 of this report.

The Board does not recommend the payments of any dividend for the year ended 31 March 2012.

Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 5 September 2012 to Friday, 7 September 2012, both days inclusive. During this period, no transfer of Shares will be registered. In order to attend and vote at the AGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 4 September 2012.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in note 16 to the Financial Statements.

Share Capital

Details of the movements in the Company's share capital during the year are set out in note 33 to the Financial Statements.

Reserves

Movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 47 and note 34 of this report.

Distributable Reserves

As at 31 March 2012, the Company's distributable reserves, including the share premium account, calculated under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK$63.4 million.

Convertible Notes

During the year, the Company issued Convertible Notes which are convertible into ordinary shares of the Company at the discretion of the noteholders. Details of the Convertible Notes are set out in note 31 to the Financial Statements.

Bank Loans and Other Borrowings

Details of the Group's bank loans and other borrowings are set out in notes 28 and 30 to the Financial Statements.

Interest Capitalised

No interest was capitalised by the Group during the year ended 31 March 2012.

Financial Summary

A summary of the Group's results and financial position for the last four financial years is set out on page 116 of this report.

Major Customers and Suppliers

The percentage of the Group's revenue, subcontracting costs and purchases of raw materials attributable to the Group's major customers, subcontractors and suppliers respectively for the year ended 31 March 2012 is as follows:

Revenue	
The largest customer	37.5%
Five largest customers in aggregate	100.0%
Subcontracting costs	
The largest subcontractor	34.9%
Five largest subcontractors in aggregate	70.5%
Purchases of raw materials *(Notes)*	
The largest supplier	41.4%
Five largest suppliers in aggregate	74.8%

During the year, none of the Directors, their associates or any Shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in any of the Group's five largest customers, subcontractors and suppliers.

Notes: Total purchases of raw materials by the Group included purchases of raw materials by main contractors for the Group's use in carrying out waterworks engineering services as a subcontractor for respective contracts. However, the suppliers from which main contractors purchased the raw materials were not included as the suppliers of the Group as the Group did not have direct relationship with these suppliers.

Subsidiaries

Details of the Company's subsidiaries as at 31 March 2012 are set out in note 25 to the Financial Statements.

Directors

The Directors who held office during the year and up to the date of this report are:

Executive Directors

Mr. Wu Jin Cai *(Chairman) (appointed on 9 December 2011)*
Mr. Zou Chen Dong *(Chief Executive Officer) (appointed on 9 December 2011)*
Ms. Wu Xu Hong *(Chief Financial Officer) (appointed on 9 December 2011)*
Mr. Kan Kwok Cheung
Mr. Cheng Ka Ming, Martin

Mr. Chia Thien Loong, Eric John
Mr. Hui Chi Kwong *(appointed on 2 June 2011)*

Non-Executive Director
Ms. Liang Hui *(appointed on 9 December 2011)*

Independent Non-Executive Directors
Mr. Chan Hon Yuen *(appointed on 25 July 2011)*
Mr. Chu Siu Lun, Ivan *(appointed on 18 July 2011)*
Mr. Hau Chi Kit *(appointed on 16 May 2011)*
Mr. Lim Hung Chun *(resigned on 18 July 2011)*
Mr. Lo Ho Chor *(resigned on 25 July 2011)*
Mr. Sung Lee Kwok *(resigned on 16 May 2011)*

Directors' Service Contracts

Each of the executive Directors has entered into a service contract with the Company for an initial fixed term of three years, subject to retirement by rotation and re-election at the AGM pursuant to the articles of association of the Company. In the case of Mr. Kan Kwok Cheung, Mr. Cheng Ka Ming, Martin and Mr. Chia Thien Loong, Eric John, their service term commenced on 11 August 2010; in the case of Mr. Hui Chi Kwong, his service term commenced on 2 June 2011; and in the case of Mr. Wu Jin Cai, Mr. Zou Chen Dong and Ms. Wu Xu Hong, their service term commenced on 9 December 2011.

The non-executive Director was appointed for a specific term of three years from 9 December 2011, subject to retirement by rotation and re-election at the AGM pursuant to the articles of association of the Company.

Each of the independent non-executive Directors was appointed for a specific term of three years, subject to retirement by rotation and re-election at the AGM pursuant to the articles of association of the Company. In the case of Mr. Hau Chi Kit, his appointment term commenced on 16 May 2011; in the case of Mr. Chu Siu Lun, Ivan, his appointment term commenced on 18 July 2011; and in the case of Mr. Chan Hon Yuen, his appointment term commenced on 25 July 2011.

None of the Directors has a service contract with any member of the Group which is not determinable by the relevant employer within one year without payment of compensation, other than statutory compensation.

Biographical Details of Directors and Senior Management

The biographical details of Directors and senior management of the Group as at the date of this report are set out in the "Biographical Details of Directors and Senior Management" section on pages 19 to 22 of this report.

Management Contracts

No contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year.

Directors' Interests in Contract

Save as disclosed in the paragraph headed "Connected Transactions", no contract of significance to which the Company or any of its subsidiaries was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Remuneration Policy

Remuneration is determined with reference to the nature of job, performance, qualifications and experience of individual employees, as well as the result of the Group and the market trend. The Group carries out staff performance appraisal once a year and the assessment result is used for salary reviews and promotion decisions. The Group recognises the importance of staff training and thus regularly provides internal and external training for its staff to enhance their skills and knowledge.

The remuneration of the Directors is determined with reference to the duties and level of responsibilities of each Director, the remuneration policy of the Group and the prevailing market conditions.

Remuneration of Directors and Five Individuals with Highest Emoluments

Details of the remuneration of the Directors and of the five highest paid individuals of the Group are set out in note 11 to the Financial Statements.

Pension Schemes

Particulars of the pension schemes are set out in note 9 to the Financial Statements.

Share Option Scheme

The Share Option Scheme has been adopted to provide incentive or reward to eligible persons for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group or any entity in which the Group holds any equity interest. 45,000,000 share options were granted pursuant to the Share Option Scheme on 12 August 2011. On 18 October 2011, all share options were cancelled. None of the share option has been exercised before its cancellation. Details of share options are set out in note 36 to the Financial Statements.

Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares or Debentures of the Company and its Associated Corporations

As at 31 March 2012, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO); or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

Long position in the Shares:

Name	Capacity/Nature of interest	Number of Shares held	Percentage of issued share capital
Mr. Kan *(Note (a))*	Interest in controlled corporation	409,200,000	24.58%
Mr. Cheng *(Note (b))*	Interest in controlled corporation	122,380,000	7.35%
Mr. Chia *(Note (c))*	Interest in controlled corporation	115,210,000	6.92%

Notes:

(a) Mr. Kan is the sole beneficial owner of Shunleetat, which was interested in 409,200,000 Shares. Under the SFO, Mr. Kan is deemed to be interested in all the Shares held by Shunleetat.

(b) Mr. Cheng is the sole beneficial owner of Chuwei, which was interested in 122,380,000 Shares. Under the SFO, Mr. Cheng is deemed to be interested in all the Shares held by Chuwei.

(c) Mr. Chia is the sole beneficial owner of Lotawater and Purplelight (BVI) Limited, which was interested in 37,090,000 and 78,120,000 Shares respectively. Under the SFO, Mr. Chia is deemed to be interested in all the Shares held by Lotawater and Purplelight (BVI) Limited.

Saved as disclosed above, as at 31 March 2012, none of the Directors and chief executive of the Company had any other interests or short positions in any Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules.

Substantial Shareholders and Other Persons' Interests and Short Positions in the Shares and Underlying Shares of the Company

So far as was known to the Directors, as at 31 March 2012, the following persons/entities (other than the Directors or chief executive of the Company) had, or are deemed to have, interests or short positions in the Shares, underlying Shares or debentures 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 or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or who/which were recorded in the register required to be kept by the Company under Section 336 of the SFO with details as follows:

Long position in the Shares:

	Number of Shares held			Number of underlying Shares under Convertible Notes *(Note (a))*			
Name	**Beneficial owner**	**Interest in controlled corporation**	**Spouse interest**	**Beneficial owner**	**Interest in controlled corporation**	**Total interests**	**Percentage of aggregate interests to issued share capital**
China Xinhua NNC	474,335,664 *(Note (b))*	—	—	2,025,664,336 *(Note (b))*	—	2,500,000,000	150.17%
中國新華新聞電視網有限公司	—	474,335,664 *(Note (b))*	—	—	2,025,664,336 *(Note (b))*	2,500,000,000	150.17%
Proud Glory	—	—	—	892,857,143 *(Note (c))*	—	892,857,143	53.63%
Lee Yuk Lun	—	—	—	—	892,857,143 *(Note (c))*	892,857,143	53.63%
Lam Shun Kiu, Rosita	—	—	409,200,000 *(Note (d))*	—	—	409,200,000	24.58%
Shunleetat	409,200,000 *(Note (d))*	—	—	—	—	409,200,000	24.58%
APT Satellite	—	—	—	178,571,429 *(Note (e))*	—	178,571,429	10.73%
APT Satellite Holdings Limited	—	—	—	—	178,571,429 *(Note (e))*	178,571,429	10.73%
APT Satellite International Company Limited	—	—	—	—	178,571,429 *(Note (e))*	178,571,429	10.73%
中國航天科技集團公司	—	—	—	—	178,571,429 *(Note (e))*	178,571,429	10.73%
中國衛星通信集團有限公司	—	—	—	—	178,571,429 *(Note (e))*	178,571,429	10.73%
Chuwei	122,380,000 *(Note (f))*	—	—	—	—	122,380,000	7.35%
Wan Pui Ki	—	—	115,210,000 *(Note (g))*	—	—	115,210,000	6.92%

Notes:

(a) Details of the Convertible Notes are set out in the circular of the Company dated 19 November 2011.

(b) China Xinhua NNC is wholly and beneficially owned by 中國新華新聞電視網有限公司. Accordingly, 中國新華新聞電視網有限公司 is deemed to be interested in the 2,500,000,000 underlying Shares held by China Xinhua NNC under the SFO.

(c) Proud Glory is wholly and beneficially owned by Lee Yuk Lun. Accordingly, Lee Yuk Lun is deemed to be interested in the 892,857,143 underlying Shares held by Proud Glory.

(d) Shunleetat is wholly and beneficially owned by Mr. Kan. Accordingly, Mr. Kan is deemed to be interested in the 409,200,000 Shares held by Shunleetat under the SFO. Ms. Lam Shun Kiu, Rosita is the spouse of Mr. Kan and is deemed to be interested in 409,200,000 Shares held by Mr. Kan under the SFO.

(e) APT Satellite Holdings Limited, APT Satellite International Company Limited, 中國航天科技集團公司 and 中國衛星通信集團有限公司 are controlling shareholders, either directly or indirectly, of APT Satellite. Accordingly, APT Satellite Holdings Limited, APT Satellite International Company Limited, 中國航天科技集團公司 and 中國衛星通信集團有限公司 are deemed to be interested in the 178,571,429 underlying Shares held by APT Satellite under the SFO.

(f) Chuwei is wholly and beneficially owned by Mr. Cheng. Accordingly, Mr. Cheng is deemed to be interested in the 122,380,000 Shares held by Chuwei under the SFO.

(g) Ms. Wan Pui Ki is the spouse of Mr. Chia and is deemed to be interested in total 115,210,000 Shares held by Mr. Chia under the SFO.

Saved as disclosed above, as at 31 March 2012, the Directors were not aware of any other person/entity (other than the Directors or chief executive as disclosed in the paragraph headed "Directors' and chief executive's interests and short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations" above) who which had, or is deemed to have, interests or short positions in the Shares, underlying Shares or debentures 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 or who which were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or who/which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in this report, none of the Directors and their respective associates including spouses and children under 18 years of age was granted by the Company or its subsidiaries any right to acquire Shares or debentures of the Company or any other body corporate, or had exercised any such right during the year ended 31 March 2012.

Purchase, Sale or Redemption of the Shares

Save as disclosed in the Prospectus, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares during the year ended 31 March 2012.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public throughout the year ended 31 March 2012 and as at the date of this report.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's articles of association and the laws of Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

Compliance Adviser's Interest in the Company

As at 31 March 2012, as notified by the Company's compliance adviser, Optima Capital Limited (the "Compliance Adviser"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 20 August 2010, neither the Compliance Adviser nor its directors, employees or associates had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

Competing Interests

Interest in Vietnam Infrastructure (BVI) Limited

An executive Director, Mr. Chia, is the director and the beneficial owner of Vietnam Infrastructure (BVI) Limited, a company engaged in the provision of civil engineering services in Vietnam. The civil engineering services provided by Vietnam Infrastructure (BVI) Limited are similar to those provided by the Group but are limited to Vietnam. Mr. Chia confirms that Vietnam Infrastructure (BVI) Limited does not intend to extend its business to Hong Kong. As the Group and Vietnam Infrastructure (BVI) Limited are carrying on business in two distinct jurisdictions, the Directors consider that the business of Vietnam Infrastructure (BVI) Limited is not in direct competition with that of the Group.

Save as disclosed above, during the year and up to date of this report, none of the Directors, controlling Shareholders and their respective associates is interested in any business which competes or is likely to compete, directly or indirectly, with the business of the Group under the GEM Listing Rules.

Connected Transactions

During the year, the Group entered into the following continuing connected transactions:

Lease Agreement

A lease agreement which expired on 31 October 2011 (the "Expired Lease Agreement") was entered into between the Company's subsidiary, TYW (as tenant), and Hong Kong Listco Limited ("HKLC") (as landlord) in relation to the office premises situated at Rooms No.1 and 3, 7/F., Anton Building, 1 Anton Street, Wanchai, Hong Kong at a monthly rent of HK$4,000. The Expired Lease Agreement has a term of 30 months from 1 May 2009 to 31 October 2011. On 1 November 2011, a new lease agreement (the "New Lease Agreement") has been entered into between the Company (as tenant) and HKLC (as landlord) in relation to the aforesaid premises situated on 7/F. (except room No. 2), Anton Building, 1 Anton Street, Wanchai, Hong Kong at a monthly rent of HK$15,000. The New Lease Agreement has a term of 24 months from 1 November 2011 to 31 October 2013.

The aforesaid office premises were leased by HKLC from Super Pizza Holdings Limited. HKLC is a company incorporated in Hong Kong and is wholly and beneficially owned by Mr. Chia; and Super Pizza Holdings Limited is a company incorporated in Hong Kong and is owned as to 50% by Mr. Chia, who is also the sole director of both HKLC and Super Pizza Holdings Limited.

Announcement Posting Agreement

On 1 June 2010 and 30 June 2011, the Company entered into agreements (the "Announcement Posting Agreements") with HKLC pursuant to which HKLC will provide the Company with the service of dissemination of announcements including hosting and posting of announcements, press releases or other documents as required by the GEM Listing Rules on the website(s) of the Group at a monthly service fee of HK$750 for a term of one year commencing from 1 July 2010 and 1 July 2011 respectively. The Company considers it more cost effective to engage a professional firm to take up this announcement posting obligation after Listing.

Television Broadcasting Right Agreement

On 5 September 2011, Xinhua TV Asia-Pacific entered into a television broadcasting right agreement (the "Television Broadcasting Right Agreement") with China Xinhua NNC pursuant to which China Xinhua NNC granted the television broadcasting right in respect of broadcasting information contents from Xinhua News Agency under China Xinhua News Network Worldwide Channel (中國新華新聞電視網環球頻道) on television channels in the Asia Pacific region (excluding the PRC) to the Group for annual fee of HK$1.0 million prior to 31 December 2016 and HK$3.0 million with effective from 1 January 2017. The Television Broadcasting Right Agreement has a term of 120 months from 1 September 2011 to 31 August 2021. Following the completion of the acquisition of Xinhua TV Asia-Pacific on 9 December 2011, the transaction constitutes continuing connected transaction of the Company pursuant to Chapter 20 of the GEM Listing Rules.

GEM Listing Rules Implications

Except for the Television Broadcasting Right Agreement, given that the annual rental payable under the Expired Lease Agreement and the New Lease Agreement and the annual service fee payable under the Announcement Posting Agreements referred to above are both less than HK$1 million and none of the percentage ratios, on an annual basis, equals or exceeds 5%, and that the Expired Lease Agreement, the New Lease Agreement and the Announcement Posting Agreements were entered into in the ordinary and usual course of business of the Group, the transactions under the aforesaid agreements are exempt continuing connected transactions of the Company pursuant to Rule 20.33(3)(c) of the GEM Listing Rules, which are exempt from reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Save as disclosed above, none of the Directors, controlling Shareholders and their respective associates has any other conflict of interests with the Group during the year ended 31 March 2012.

Corporate Governance

Details of the Group's corporate governance practices are set out in the "Corporate Governance Report" section on pages 23 to 30 of this report.

Events after the Reporting Period

On 29 March 2012, the Company entered into top-up placing and subscription agreements to place an aggregate of 10,000,000 Shares to not less than six placees at a price of HK$1.0 per placing Share. The top-up placing and subscription was completed on 12 April 2012 and raised gross proceeds of HK$10.0 million.

Save as aforesaid, subsequent to 31 March 2012 and up to the date of this report, no other significant event has taken place.

Auditors

The accounts for the year were audited by HLB Hodgson Impey Cheng whose term of office will expire upon the forthcoming AGM. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganised as HLB Hodgson Impey Cheng Limited. A resolution for the appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year is to be proposed at the forthcoming AGM.

BDO Limited had been auditor of the Company for the previous financial years. There has been no other change of auditor in the preceding three years.

On behalf of the Board

Zou Chen Dong
Chief Executive Officer

Hong Kong, 1 June 2012

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

To the Shareholders of CNC Holdings Limited
(Formerly known as Tsun Yip Holdings Limited)
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of CNC Holdings Limited (formerly known as Tsun Yip Holdings Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 43 to 115, which comprise the consolidated and Company statements of financial position as at 31 March 2012, 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 preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation of the 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 2012 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.

Other Matter

The consolidated financial statements of the Group for the year ended 31 March 2011 were audited by another auditors who expressed an unmodified opinion on those statements on 15 June 2011.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 1 June 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Revenue	6	**218,961**	184,307
Cost of services		**(214,884)**	(162,107)
Gross profit		**4,077**	22,200
Other revenue	6	**217**	544
Administrative expenses		**(32,735)**	(10,739)
(Loss)/profit from operations	8	**(28,441)**	12,005
Finance costs	10	**(13,852)**	(341)
Impairment loss recognised in respect of goodwill	17	**(665,683)**	—
(Loss)/profit before income tax		**(707,976)**	11,664
Income tax	12	**3,079**	(1,918)
(Loss)/profit for the year and total comprehensive (loss)/ income attributable to owners of the Company		**(704,897)**	9,746
(Loss)/earnings per share attributable to owners of the Company			
— Basic and diluted (HK cents)	15	**(55.16)**	1.09

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Financial Position

At 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	16	**20,648**	12,711
Goodwill	17	**151,194**	—
Intangible assets	19	**549,306**	—
Available-for-sale financial assets	20	**67,141**	—
		788,289	12,711
Current assets			
Inventories	21	**22,286**	16,180
Trade and other receivables	22	**56,773**	26,779
Pledged bank deposits	24	**2,005**	2,000
Tax recoverable		**1,134**	321
Cash and cash equivalents	24	**10,011**	16,233
		92,209	61,513
Total assets		**880,498**	74,224
Current liabilities			
Trade and other payables	26	**77,616**	22,008
Finance lease payables	27	**1,676**	748
Borrowings	28	**3,208**	2,733
Employee benefits	29	**1,951**	897
Current tax liabilities		**—**	273
		84,451	26,659
Net current assets		**7,758**	34,854
Total assets less current liabilities		**796,047**	47,565

	Notes	2012 HK$'000	2011 HK$'000
Non-current liabilities			
Other payables	26	**866**	—
Finance lease payables	27	**2,530**	244
Promissory note	30	**42,336**	—
Convertible notes	31	**584,365**	—
Deferred tax liabilities	32	**95,457**	1,541
		725,554	1,785
Total liabilities		**810,005**	28,444
Net assets		**70,493**	45,780
Capital and reserves			
Share capital	33	**1,664**	992
Reserves	34	**68,829**	44,788
Total equity		**70,493**	45,780

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 1 June 2012 and are signed on its behalf by:

Zou Chen Dong
Director

Wu Xu Hong
Director

The accompanying notes form an integral part of these financial statements.

Statement of Financial Position

At 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Investments in subsidiaries	*25*	**23,682**	23,647
Current assets			
Other receivables and prepayments	*22*	**509**	134
Amounts due from subsidiaries	*25*	**641,144**	3,776
Pledged bank deposits	*24*	**2,005**	2,000
Cash and cash equivalents	*24*	**360**	10,698
		644,018	16,608
Total assets		**667,700**	40,255
Current liabilities			
Accrued expenses and other payables	*26*	**15,225**	172
Net current assets		**628,793**	16,436
Total assets less current liabilities		**652,475**	40,083
Non-current liabilities			
Convertible notes	*31*	**584,365**	—
Deferred tax liabilities	*32*	**3,025**	—
		587,390	—
Total liabilities		**602,615**	172
Net assets		**65,085**	40,083
Capital and reserves			
Share capital	*33*	**1,664**	992
Reserves	*34*	**63,421**	39,091
Total equity		**65,085**	40,083

The financial statements were approved and authorised for issue by the Board of Directors on 1 June 2012 and are signed on its behalf by:

Zou Chen Dong
Director

Wu Xu Hong
Director

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2012

	Share capital HK$'000 *(note 33)*	Share premium account HK$'000 *(note 34)*	Convertible Note equity reserves HK$'000 *(note 31)*	Share options reserves HK$'000 *(note 34)*	Other reserves HK$'000 *(note 34)*	Retained earnings/ (accumulated losses) HK$'000 *(note 34)*	Proposed dividend HK$'000 *(note 34)*	Total equity HK$'000
At 1 April 2010	9,868	—	—	—	—	8,472	4,000	22,340
Profit and total comprehensive income for the year	—	—	—	—	—	9,746	—	9,746
Reorganisation	(9,868)	—	—	—	9,868	—	—	—
Issue of Shares pursuant to the placing	248	31,496	—	—	—	—	—	31,744
Share placement expenses	—	(10,776)	—	—	—	—	—	(10,776)
Capitalisation of share premium account	744	(744)	—	—	—	—	—	—
2010 final dividend paid	—	—	—	—	—	—	(4,000)	(4,000)
2011 first interim dividend paid	—	—	—	—	—	(1,984)	—	(1,984)
2011 second interim dividend paid	—	—	—	—	—	(1,290)	—	(1,290)
At 31 March 2011 and 1 April 2011	992	19,976	—	—	9,868	14,944	—	45,780
Loss and total comprehensive loss for the year	—	—	—	—	—	(704,897)	—	(704,897)
Issue of Shares pursuant to placing	198	34,125	—	—	—	—	—	34,323
Share placement expenses	—	(1,003)	—	—	—	—	—	(1,003)
Issue of Convertible Notes upon acquisition of subsidiaries	—	—	20,997	—	—	—	—	20,997
Deferred tax arising from issue of Convertible Notes	—	—	(3,464)	—	—	—	—	(3,464)
Expenses paid in connection with issue of Convertible Notes upon acquisition of subsidiaries	—	—	(152)	—	—	—	—	(152)
Issue of Shares upon acquisition of subsidiaries	474	673,082	—	—	—	—	—	673,556
Expenses paid in connection with issue of Shares upon acquisition of subsidiaries	—	(674)	—	—	—	—	—	(674)
Equity-settled share options arrangement	—	—	—	6,027	—	—	—	6,027
Release of share options reserves upon cancellation of equity-settled share options arrangement	—	—	—	(6,027)	—	6,027	—	—
At 31 March 2012	**1,664**	**725,506**	**17,381**	**–**	**9,868**	**(683,926)**	**–**	**70,493**

Consolidated Statement of Cash Flows

For the year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Cash flows from operating activities			
(Loss)/profit before income tax		**(707,976)**	11,664
Adjustments for:			
Amortisation of intangible assets	*8*	**17,694**	—
Depreciation of property, plant and equipment	*8*	**7,089**	5,052
Loss on disposal of property, plant and equipment	*8*	**49**	127
Share-based payment expenses	*8*	**6,027**	—
Impairment loss recognised in respect of goodwill	*17*	**665,683**	—
Finance costs	*10*	**13,852**	341
Interest income	*6*	**(8)**	(3)
Operating cash flows before movements in working capital		**2,410**	17,181
Increase in inventories		**(6,106)**	(6,392)
(Increase)/decrease in trade and other receivables		**(28,427)**	1,492
Increase/(decrease) in trade and other payables		**34,501**	(2,588)
Increase in employee benefits		**1,054**	424
Cash generated from operations		**3,432**	10,117
Income tax paid		**(1,110)**	(6,447)
Net cash generated from operating activities		**2,322**	3,670
Cash flows from investing activities			
Net cash outflow on purchase of available-for-sale financial assets		**(25,481)**	—
Net cash outflow on acquisition of subsidiaries	*35*	**(4,722)**	—
Proceeds from disposal of property, plant and equipment		**7**	—
Purchase of property, plant and equipment		**(10,399)**	(4,583)
Interest received		**8**	3
Net cash used in investing activities		**(40,587)**	(4,580)

	2012 HK$'000	2011 HK$'000
Cash flows from financing activities		
Proceeds from issue of ordinary shares	**34,323**	31,744
Expenses paid in connection with the issue of new Shares	**(1,003)**	(10,776)
Increase in pledged bank deposits	**(5)**	(2,000)
Proceeds from borrowings	**18,352**	3,000
Repayment of borrowings	**(17,877)**	(4,799)
Finance lease charges paid	**(162)**	(243)
Repayment of finance lease payables	**(1,469)**	(2,886)
Interest paid	**(116)**	(98)
Dividends paid by subsidiaries to their then shareholders prior to the reorganisation	**—**	(4,000)
Dividends paid to owners of the Company	**—**	(3,129)
Net cash generated from financing activities	**32,043**	6,813
Net (decrease)/increase in cash and cash equivalents	**(6,222)**	5,903
Cash and cash equivalents at the beginning of the year	**16,233**	10,330
Cash and cash equivalents at the end of the year	**10,011**	16,233

The accompany notes form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 March 2012

1. General

The Company was incorporated in the Cayman Islands on 15 March 2010 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The registered office and principal place of business of the Company are located at the offices of Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and Rooms 2601–2605, 26/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong respectively.

The principal activity of the Company is investment holdings and provision of management services. The principal activities of its subsidiaries are the provision of waterworks engineering services, road works and drainage services and site formation works for the public sector in Hong Kong. During the current year, the Group commenced the business of broadcasting television programmes on television channels operated by television broadcasting companies in the Asia Pacific region (excluding the PRC) in return for advertising and related revenue.

On 3 February 2012, the Company announced that the name of the Company has been changed from "Tsun Yip Holdings Limited 進業控股有限公司" to "CNC Holdings Limited 中國新華電視控股有限公司" with effective from 16 January 2012.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

The following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") have been applied by the Group in the current year and have affected the presentation and disclosures set out in the Financial Statements. A summary of the new and revised HKFRSs are set out as below:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (as revised in 2009)	Related Party Disclosures
HK(IFRIC) — Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of these new and revised HKFRSs has not had any material impact on the Group's financial performance and positions for the current and prior years but may affect the accounting for future transactions or arrangement. The impact of the application of these new and revised HKFRSs is discussed below:

HKAS 24 (revised 2009) simplifies the definition of "related party" and removes inconsistencies, which emphasises a symmetrical view of related party transactions. The revised standard also provides limited relief from disclosure of information by government-related entities in respect of transactions with the government to which the group is related, or transactions with other entities related to the same government. These amendments have had no material impact on the Financial Statements.

Improvements to HKFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, Financial instruments: Disclosures. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the Financial Statements in the current and previous periods.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKAS 1 (Amendments)	Presentation of items in Other Comprehensive Income[3]
HKAS 12 (Amendments)	Deferred Tax — Recovery of Underlying Assets[2]
HKAS 19 (2011)	Employee Benefits[4]
HKAS 27 (2011)	Separate Financial Statements[4]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[4]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC) — Int 20	Stripping Costs in Production Phase of Surface Mine[4]
HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosure[6]
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[1]
HKFRS 7 (Amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities[4]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosures of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]

[1] *Effective for annual periods beginning on or after 1 July 2011*
[2] *Effective for annual periods beginning on or after 1 January 2012*
[3] *Effective for annual periods beginning on or after 1 July 2012*
[4] *Effective for annual periods beginning on or after 1 January 2013*
[5] *Effective for annual periods beginning on or after 1 January 2014*
[6] *Effective for annual periods beginning on or after 1 January 2015*

HKFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

New and revised HKFRSs in issue but not yet effective *(Continued)*

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The Directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2015 and that the application of the new standard may have a significant impact on amounts reported in respect of the Group's financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKFRS 7 titled Disclosures — Transfers of Financial Assets increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The Directors do not anticipate that these amendments to HKFRS 7 will have a significant effect on the Group's disclosures regarding transfers of trade receivables previously affected. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

For other new and revised HKFRSs which are issued but not yet effective, the Group is in the process of making an assessment of the impact upon initial application. The Group is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

3. Basis of Preparation

(a) Group reorganisation

Under a group reorganisation scheme (the "Reorganisation") to rationalise the structure of the Group in preparation for the Listing, the Company became the holding company of the companies now comprising the Group on 11 August 2010.

Details of the Reorganisation are set out in the paragraph headed "Further information about the Company and its subsidiaries" in Appendix V to the prospectus dated 20 August 2010 issued by the Company.

The Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements of the Group have been prepared in accordance with accounting policies as set out in note 4(a).

(b) 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 "HKFRSs") issued by the HKICPA and the disclosure requirements of Hong Kong Companies Ordinance. In addition, the Financial Statements include applicable disclosures required by the GEM Listing Rules.

(c) Basis of measurement

The Financial Statements have been prepared under the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

(d) 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.

4. Significant Accounting Policies

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interest in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

4. Significant Accounting Policies *(Continued)*

(b) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

4. Significant Accounting Policies *(Continued)*

(b) Business combinations *(Continued)*

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

(c) Investments in 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 are presently exercisable are taken into account.

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

4. Significant Accounting Policies *(Continued)*

(d) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(e) Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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 are recognised as an expense in profit or loss during the financial period in which they are incurred.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Site offices	Over the respective project terms
Leasehold improvements	30% or over the respective life of the leases, whichever is shorter
Machinery	30%
Furniture and fixtures	20%
Office equipment	20%
Motor vehicles	20%

4. Significant Accounting Policies *(Continued)*

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(f) 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.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liabilities to the lessors are included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

4. Significant Accounting Policies *(Continued)*

(g) Intangible assets

Intangible assets acquired in a business combination
Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(h) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets
Financial assets are classified into the following specified categories: loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method
The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at financial assets at fair value through profit or loss.

4. Significant Accounting Policies *(Continued)*

(h) Financial instruments *(Continued)*

Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value at the end of each reporting period. Changes in fair value are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the financial asset is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy in respect of impairment loss on financial assets below).

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 are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy in respect of impairment loss on financial assets below).

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, pledged bank deposits and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets
Financial assets, other than those at financial assets at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

4. Significant Accounting Policies *(Continued)*

(h) Financial instruments *(Continued)*

Impairment of financial assets (Continued)
For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent 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.

4. Significant Accounting Policies *(Continued)*

(h) Financial instruments *(Continued)*

Impairment of financial assets (Continued)

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in equity. In respect of available-for-sale debt investments, impairment losses are subsequently reversed through 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.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Other financial liabilities

Other financial liabilities (including trade and other payables, finance lease payables, borrowings, promissory note and convertible notes) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than those financial liabilities designated as at financial liabilities at fair value through profit or loss.

4. Significant Accounting Policies *(Continued)*

(h) Financial instruments *(Continued)*

Convertible notes

Convertible notes issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. 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 an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible notes, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

4. Significant Accounting Policies *(Continued)*

(h) Financial instruments *(Continued)*

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. Significant Accounting Policies *(Continued)*

(i) Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts for variation orders and claims. Contract costs comprise direct materials, costs of subcontracting, direct labour, borrowing costs attributable directly to the construction and an appropriate portion of variable and fixed construction overheads.

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received under trade and other payables. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

(j) Inventories

Inventories are initially recognised at cost, and subsequently are stated at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and applicable selling expense.

4. Significant Accounting Policies *(Continued)*

(k) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised as follows:

Revenue from construction contracts is recognised on the percentage of completion method, measured by reference to the certification by architects. If the certificate of architects was not provided, revenue is recognised by reference to the proportion of actual costs incurred up to date to the estimated total cost of the relevant contract.

Advertising revenue, net of agency commission expenses, is recognised upon the broadcast of advertisements.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(l) Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

4. Significant Accounting Policies *(Continued)*

(l) Income taxes *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(m) Employee benefits

1. *Defined contribution retirement plan*

   Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

2. *Short term employee benefits*

   Short term employee benefits are recognised when they accrue to employees. In particular, 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. Nonaccumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

3. *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.

4. Significant Accounting Policies *(Continued)*

(m) Employee benefits *(Continued)*

4. Long service payments

The Group's net obligation in respect of long service payments payable on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method, discounted to its present value and reduced by entitlements accrued under the Group's retirement plans that are attributable to contributions made by the Group.

(n) Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4. Significant Accounting Policies *(Continued)*

(o) Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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.

(p) Share-based payments

Where share options are awarded to employees and others providing similar services, 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 option 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 and others providing similar services, the fair value of goods or services received is recognised in profit or loss 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.

4. Significant Accounting Policies *(Continued)*

(q) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

(r) Segment information

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type of class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. Significant Accounting Policies *(Continued)*

(s) Related parties

A party is considered to be related to the Group if:

(1) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group.

(2) An entity is related to the Group if any of the following condition applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to others).

(ii) 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).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third party.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsorship employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (1).

(vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 4, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The followings are the critical judgments, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

(i) Construction contract revenue recognition

According to the accounting policies of construction contracts as stated in note 4(i), the Group uses the percentage of completion method to determine the appropriate revenues to be recognised in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as percentage of total estimated costs for each contract.

Upon applying the percentage of completion method, the Group needs to estimate the gross profit margin of each construction contract, which was determined based on the estimated total construction contract costs and total construction contract sum, including confirmed variation orders and claims, and liquidated damages. If the actual gross profit margin of construction contract differs from the management's estimates, the construction contract revenue to be recognised within the next year will need to be adjusted accordingly.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(i) Impairment loss on trade and other receivables

The provision for impairment loss on trade and other receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each account. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(ii) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

As at 31 March 2012, the carrying amount of goodwill was approximately HK$151,194,000 (2011: nil) and the impairment loss recognised for the year was approximately HK$665,683,000 (2011: nil). Details of the recoverable amount calculation are disclosed in note 18.

(iii) Impairment of assets

The Group assesses annually whether the financial assets and non-financial assets have suffered any impairment in accordance with accounting policies stated in note 4(h) and 4(n) respectively. The assets are reviewed for the impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The determination of recoverable amount requires an estimation of future cash flows and the selection of appropriate discount rates.

(iv) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

(v) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(vi) Useful lives of broadcasting rights

The Group determines the estimated useful life at 10 years and related amortisation charges for its broadcasting rights. The estimate is based on the license period of the broadcasting rights acquired. Management will revise the amortisation charge where the useful life is different to the one previously estimated.

(vii) Income taxes and deferred taxation

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will accordingly be adjusted in the relevant tax account in the year in which such determination is made.

6. Revenue and Other Revenue

	2012 HK$'000	2011 HK$'000
Revenue		
Turnover — revenue from construction works	**218,961**	184,307
Other revenue		
Interest income	**8**	3
Sundry income	**209**	541
	217	544

7. Segment Information

Information reported to the executive Directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

(i) Provision of waterworks and civil services — provision of waterwork engineering services, road works and drainage services and site formation works for public sector in Hong Kong; and

(ii) Television broadcasting business — the business of broadcasting television programmes on television channels operated by television broadcasting companies in return for advertising and related revenue.

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches.

7. Segment Information *(Continued)*

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment.

For the year ended 31 March 2012

	Provision of waterworks and civil services HK$'000	Television broadcasting business HK$'000	Total HK$'000
Revenue from external customers	**218,961**	**—**	**218,961**
Other revenue	**209**	**—**	**209**
Reportable segment revenue	**219,170**	**—**	**219,170**
Reportable segment results	**15,106**	**(693,902)**	**(678,796)**
Unallocated corporate income			**8**
Unallocated corporate expenses			**(15,336)**
Finance costs			**(13,852)**
Loss before income tax			**(707,976)**

For the year ended 31 March 2011

	Provision of waterworks and civil services HK$'000	Television broadcasting business HK$'000	Total HK$'000
Revenue from external customers	184,307	—	184,307
Other revenue	541	—	541
Reportable segment revenue	184,848	—	184,848
Reportable segment results	13,263	—	13,263
Unallocated corporate income			3
Unallocated corporate expenses			(1,261)
Finance costs			(341)
Profit before income tax			11,664

7. Segment Information *(Continued)*

Segment revenue and results *(Continued)*

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2011: nil).

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment profit/(loss) respects the profit earned/loss incurred by each segment without allocation of interest income, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

At 31 March 2012

	Provision of waterworks and civil services HK$'000	Television broadcasting business HK$'000	Total HK$'000
Segment assets	**95,144**	**701,871**	**797,015**
Unallocated			**83,483**
Consolidated assets			**880,498**
Segment liabilities	**49,653**	**13,609**	**63,262**
Unallocated			**746,743**
Consolidated liabilities			**810,005**

At 31 March 2011

	Provision of waterworks and civil services HK$'000	Television broadcasting business HK$'000	Total HK$'000
Segment assets	55,536	—	55,536
Unallocated			18,688
Consolidated assets			74,224
Segment liabilities	22,733	—	22,733
Unallocated			5,711
Consolidated liabilities			28,444

7. Segment Information *(Continued)*

Segment assets and liabilities *(Continued)*

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than items of available-for-sale financial assets, cash and cash equivalents, current tax recoverables and assets for corporate use. Goodwill is allocated to television broadcasting business; and

- all liabilities are allocated to operating segments other than borrowings, Convertible Notes, current and deferred tax liabilities, finance lease payables and promissory note.

Other segment information

For the year ended 31 March 2012

	Provision of waterworks and civil services HK$'000	**Television broadcasting business HK$'000**	**Total HK$'000**
Additions to non-current assets	**15,082**	**567,000**	**582,082**
Depreciation of property, plant and equipment	**7,089**	**—**	**7,089**
Loss on disposal of property, plant and equipment	**49**	**—**	**49**
Amortisation of intangible assets	**—**	**17,694**	**17,694**
Impairment loss recognised in respect of goodwill	**—**	**665,683**	**665,683**

For the year ended 31 March 2011

	Provision of waterworks and civil services HK$'000	Television broadcasting business HK$'000	Total HK$'000
Additions to non-current assets	4,582	—	4,582
Depreciation of property, plant and equipment	5,052	—	5,052
Loss on disposal of property, plant and equipment	127	—	127

7. Segment Information *(Continued)*

Information about geographical areas

As all of the Group's turnover is derived from customers based in Hong Kong and all the Group's identifiable assets and liabilities are located in Hong Kong, no geographical segment information is presented in accordance with HKFRS 8 Operating Segments.

Information about major customers

Included in revenue arising from provision of waterworks and civil services of approximately HK$218,961,000 (2011: HK$184,307,000) are revenue generated from three (2011: two) customers amounting to approximately HK$218,390,000 (2011: HK$180,865,000). Each customer has individually accounted for over 10% of the Group's total revenue. No other single customer contributed 10% or more to the Group's revenue for both 2012 and 2011.

Revenue from major customers is as follows:

	2012 HK$'000	2011 HK$'000
Customer A	**56,642**	27,467
Customer B	**79,705**	153,398
Customer C *(note)*	**82,043**	—
Others	**571**	3,442
	218,961	184,307

Note: No turnover was generated for customer C for the year ended 31 March 2011.

8. (Loss)/profit from Operations

	2012 HK$'000	2011 HK$'000
(Loss)/profit from operations has been arrived at after charging:		
Contract costs recognised as expense, including nil borrowing costs (2011: HK$57,000)	**194,999**	162,107
Amortisation of intangible assets (included in cost of services)	**17,694**	—
Television broadcasting rights fee and television satellite fees (included in cost of services)	**2,191**	—
Auditors' remuneration	**500**	670
Depreciation of property, plant and equipment	**7,089**	5,052
Loss on disposal of property, plant and equipment	**49**	127
Staff costs *(note 9)*	**55,762**	38,325
Share-based payment expenses	**6,027**	—
Operating lease rentals in respect of rented premises	**2,510**	1,078

9. Staff Costs

	2012 HK$'000	2011 HK$'000
Staff costs (including Directors' remuneration) comprise:		
Wages, salaries and other benefits	**48,937**	36,931
Contribution to defined contribution retirement plan	**1,776**	1,394
Share-based payment expenses	**5,049**	—
	55,762	38,325

10. Finance Costs

	2012 HK$'000	2011 HK$'000
Interest on:		
Finance leases payables	**162**	243
Borrowings wholly repayable within five years	**116**	98
Advance payment from a customer	**—**	57
Promissory note *(note 30)*	**1,542**	—
Convertible Notes *(note 31)*	**12,032**	—
	13,852	398
Less: Amount classified as contract costs	**—**	(57)
	13,852	341

11. Directors' Remuneration and Senior Management's Emoluments

(i) Directors' remuneration

The aggregate amounts of the remuneration paid and payable to the Directors by the Group for the years ended 31 March 2012 and 2011 are as follows:

	Fees HK$'000	Salaries and allowances HK$'000	Bonus HK$'000	Share-based payment HK$'000	Defined contribution retirement benefit scheme contributions HK$'000	Total HK$'000
Year ended 31 March 2012						
Executive Directors						
Mr. Wu Jin Cai *(note (a))*	–	4	–	–	–	4
Mr. Zou Chen Dong *(note (a))*	–	4	–	–	–	4
Ms. Wu Xu Hong *(note (a))*	–	4	–	–	–	4
Mr. Kan Kwok Cheung	–	1,271	66	1,326	12	2,675
Mr. Cheng Ka Ming, Martin	–	733	1	1,326	12	2,072
Mr. Chia Thien Loong, Eric John	–	439	19	1,326	10	1,794
Mr. Hui Chi Kwong *(note (b))*	–	303	18	134	10	465
Non-executive Director						
Ms. Liang Hui *(note (a))*	4	–	–	–	–	4
Independent non-executive Directors						
Mr. Chan Hon Yuen *(note (c))*	80	–	–	–	–	80
Mr. Chu Siu Lun, Ivan *(note (d))*	82	–	–	–	–	82
Mr. Hau Chi Kit *(note (e))*	98	–	–	–	–	98
Mr. Lo Ho Chor *(note (f))*	30	–	–	–	–	30
Mr. Lim Hung Chun *(note (g))*	29	–	–	–	–	29
Mr. Sung Lee Kwok *(note (h))*	12	–	–	–	–	12
	335	2,758	104	4,112	44	7,353

11. Directors' Remuneration and Senior Management's Emoluments *(Continued)*

(i) Directors' remuneration *(Continued)*

	Fees HK$'000	Salaries and allowances HK$'000	Bonus HK$'000	Share-based payment HK$'000	Defined contribution retirement benefit scheme contributions HK$'000	Total HK$'000
Year ended 31 March 2011						
Executive Directors						
Mr. Cheung Ka Ming, Martin	—	908	—	—	12	920
Mr. Chia Thien Loong, Eric John	—	140	1	—	7	148
Mr. Fung Chung Kin *(note (i))*	—	665	—	—	9	674
Mr. Kan Kwok Cheung	—	1,334	—	—	12	1,346
Independent non-executive Directors						
Mr. Lim Hung Chun *(note (g))*	61	—	—	—	—	61
Mr. Lo Ho Chor *(note (f))*	61	—	—	—	—	61
Mr. Sung Lee Kwok *(note (h))*	61	—	—	—	—	61
	183	3,047	1	—	40	3,271

Notes:

(a) Appointed on 9 December 2011.

(b) Appointed on 2 June 2011.

(c) Appointed on 25 July 2011.

(d) Appointed on 18 July 2011.

(e) Appointed on 16 May 2011.

(f) Resigned on 25 July 2011.

(g) Resigned on 18 July 2011.

(h) Resigned on 16 May 2011.

(i) Resigned on 1 January 2011.

None of Directors waived or agreed to waive any emoluments during the years ended 31 March 2012 and 2011 and there were no emoluments paid by the Group to any Directors as an inducement to join, or upon joining the Group or as compensation for loss of office.

11. Directors' Remuneration and Senior Management's Emoluments *(Continued)*

(ii) Five highest paid individuals

The five highest paid individuals whose emoluments were the highest in the Group included two Directors (2011: two) for the year ended 31 March 2012 whose emoluments are reflected in the analysis as shown in note 11(i). The emoluments of the remaining three (2011: three) individuals for the year ended 31 March 2012 are as follows:

	2012 HK$'000	2011 HK$'000
Basic salaries, bonuses and other allowances	**2,043**	1,442
Defined contribution retirement benefit scheme contributions	**36**	24
	2,079	1,466

Their emoluments were within the following band:

	2012 Number of employees	2011 Number of employees
Nil to HK$1,000,000	**3**	3

During the years ended 31 March 2012 and 2011, none of the senior management waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the five highest paid individuals as an inducement to join, or upon joining the Group or as compensation for loss of office.

12. Income Tax

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

	2012 HK$'000	2011 HK$'000
Current tax — Hong Kong Profits Tax		
— tax for the year	**—**	2,005
— under-provision in respect of prior years	**24**	30
	24	2,035
Deferred tax *(note 32)*		
— current year	**(3,103)**	(117)
Income tax	**(3,079)**	1,918

12. Income Tax *(Continued)*

Hong Kong profits tax is calculated at 16.5% (2011: 16.5%) on the estimated assessable profits for the year.

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Company and its subsidiaries incorporated in BVI are not subject to any income tax in the Cayman Islands and the BVI respectively.

No provision for Macau profits tax has been made as the subsidiary incorporated in Macau had no assessable profit arising in Macau during the year.

The income tax for the year can be reconciled to the (loss)/profit before income tax per the consolidated statement of comprehensive income as follows:

	2012 HK$'000	**%**	2011 HK$'000	%
(Loss)/profit before income tax	**(707,976)**		11,664	
Tax calculated at the rates applicable to profits in the countries concerned	**(116,816)**	**16.5**	1,925	16.5
Tax effect of expenses not deductible for tax purposes	**112,855**	**(15.9)**	211	1.8
Tax effect of other temporary difference not recognised	**(27)**	**—**	(248)	(2.1)
Tax effect of tax losses not recognised	**885**	**(0.1)**	—	—
Under-provision in respect of prior years	**24**	**—**	30	0.2
Income tax (credit)/expense for the year	**(3,079)**	**0.5**	1,918	16.4

13. Loss Attributable to Owners of the Company

The loss attributable to owners of the Company, which has been dealt with in the financial statements of the Company amounted to approximately HK$704,608,000 (2011: HK$1,258,000).

14. Dividends

	2012 HK$'000	2011 HK$'000
Dividends distributed by the Company *(note (i))*	–	3,274
Dividends distributed by the subsidiaries *(note (ii))*	–	4,000
	–	7,274

Notes:

(i) The Directors declared and paid the first interim dividend of HK$0.2 cent per Share and second interim dividend of HK$0.13 cent per Share, totalling HK$1,984,000 and HK$1,289,600 respectively for the year ended 31 March 2011.

(ii) The amount represented dividends declared and paid by the Company's subsidiaries to their then shareholders prior to the Listing of the Company's shares on 30 August 2010. The rates of dividends and the number of shares ranking for dividends are not presented as such information is not meaningful for the purpose of the annual financial statements.

(iii) The Board does not recommend the payments of any dividend in respect of the year ended 31 March 2012.

15. (Loss)/earnings per Share attributable to owners of the Company

The calculation of the basic and diluted (loss)/earnings per Share attributable to owners of the Company is based on the following data:

	2012 HK$'000	2011 HK$'000
(Loss)/earnings for the purpose of basic and diluted (loss)/earnings per Share	(704,897)	9,746

	Number of shares	
	'000	'000
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per Share	1,277,973	890,762

Diluted loss per Share for the year ended 31 March 2012 is the same as the basic loss per Share as the Convertible Notes outstanding at the end of the reporting period had an anti-dilutive effect on the basic loss per Share.

For the year ended 31 March 2011, basic earnings per Share was the same as diluted earnings per Share as there was no dilutive potential ordinary share outstanding during the year.

The weighted average number of Shares used in the calculation of basic and diluted earnings per Share for the year ended 31 March 2011 has been adjusted for the Share Subdivision effective on 23 December 2010 (note 33).

16. Property, Plant and Equipment

The Group

	Leasehold improvements HK$'000	Machinery HK$'000	Furnitures and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Site offices HK$'000	Total HK$'000
Cost:							
At 1 April 2010	80	5,505	695	1,997	11,408	1,702	21,387
Additions	11	219	666	1,464	618	1,604	4,582
Disposals	—	(123)	(1)	(2)	(166)	—	(292)
At 31 March 2011 and 1 April 2011	91	5,601	1,360	3,459	11,860	3,306	25,677
Additions	—	3,017	666	2,761	5,376	3,262	15,082
Disposals	—	—	—	—	(102)	—	(102)
At 31 March 2012	91	8,618	2,026	6,220	17,134	6,568	40,657
Accumulated depreciation:							
At 1 April 2010	36	2,385	288	779	3,728	863	8,079
Depreciation charge for the year	27	1,346	208	524	2,290	657	5,052
Eliminated on disposals	—	(71)	(1)	(2)	(91)	—	(165)
At 31 March 2011 and 1 April 2011	63	3,660	495	1,301	5,927	1,520	12,966
Depreciation charge for the year	27	1,662	346	1,014	2,919	1,121	7,089
Eliminated on disposals	—	—	—	—	(46)	—	(46)
At 31 March 2012	90	5,322	841	2,315	8,800	2,641	20,009
Net book value:							
At 31 March 2012	**1**	**3,296**	**1,185**	**3,905**	**8,334**	**3,927**	**20,648**
At 31 March 2011	28	1,941	865	2,158	5,933	1,786	12,711

The net carrying amount of property, plant and equipment includes the following assets held under finance leases (note 27).

	2012 HK$'000	2011 HK$'000
Motor vehicles	**4,940**	1,715

As at 31 March 2012, the Group pledged its machinery with net book value of approximately HK$1,171,000 (2011: nil) and motor vehicles with net book value of approximately HK$6,257,000 (2011: nil) as securities for its performance of being a sub-contractor of the Replacement and Rehabilitation of Water mains, stage 4, Phase 1 Mains in Tuen Mun, Yuen Long, North District and Tai Po.

17. Goodwill

The Group

	HK$'000
Cost	
At 1 April 2010, 31 March 2011 and 1 April 2011	—
Acquisition of subsidiaries *(note 35)*	816,877
At 31 March 2012	816,877
Accumulated impairment losses	
At 1 April 2010, 31 March 2011 and 1 April 2011	—
Impairment losses recognised for the year *(note 18)*	665,683
At 31 March 2012	665,683
Carrying amount	
At 31 March 2012	**151,194**
At 31 March 2011	—

18. Impairment Testing on Goodwill

Goodwill has been allocated for impairment testing purposes to the cash-generating units of television broadcasting business.

Before recognition of impairment losses, the carrying amount of goodwill was allocated to the cash-generating unit as follows:

	The Group	
	2012 **HK$'000**	2011 HK$'000
Television broadcasting business	**816,877**	—

The recoverable amount of this cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the Directors covering a ten-year period, and a discount rate of 17.95% per annum (2011: nil). The discount rates used are pre-tax and reflew specific risks to the segment.

Cash flow projections during the budget period are based on financial budgets approved by management covering a ten-year period. The cash flows beyond that ten-year period have been extrapolated using a growth rate ranged from 1% to 15% for different countries. The Directors believe that any reasonably possible changes in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the unit to exceed the aggregate recoverable amount of the cash generating unit.

18. Impairment Testing on Goodwill *(Continued)*

At the completion date of the acquisition, the fair value of the consideration was approximately HK$1,280,586,000. It was mainly due to the closing price of the issued Shares at the completion date of the acquisition (i.e. HK$1.42 per Share) was substantially higher than the agreed issue price of the consideration shares (i.e. HK$0.196 per Share). The Directors reassessed the fair value of goodwill as at 31 March 2012 and recognised an impairment loss of approximately HK$665,683,000 due to the above reason.

19. Intangible Assets

The Group

	Television broadcasting right HK$'000
Cost	
At 1 April 2010, 31 March 2011 and 1 April 2011	—
Acquisition of subsidiaries *(note 35)*	567,000
At 31 March 2012	567,000
Accumulated amortisation and impairment	
At 1 April 2010, 31 March 2011 and 1 April 2011	—
Amortisation expense *(note 8)*	17,694
At 31 March 2012	17,694
Carrying amount	
At 31 March 2012	**549,306**
At 31 March 2011	—

Intangible assets represent television broadcasting right acquired by the Group. The useful life of television broadcasting right is 10 years.

The Directors reassessed the recoverable amount of intangible assets at 31 March 2012 and determined that no impairment loss was recognised in the consolidated statement of comprehensive income for the year ended 31 March 2012. The recoverable amount of intangible assets was assessed by reference to the value in use calculation.

20. Available-for-Sale Financial Assets

	The Group	
	2012	2011
	HK$'000	HK$'000
Available-for-sale financial assets comprise:		
Unlisted investments, at cost:		
— Equity securities	**67,141**	—
Analysed for reporting purposes as:		
Non-current assets	**67,141**	–

On 28 July 2011, the Group entered into an agreement with an independent third party to acquire 17% equity interests in China New Media at an aggregate consideration of HK$70,040,000, comprising cash of HK$25,000,000 and a promissory note with a principal amount of HK$45,040,000. The consideration was determined with reference to a valuation conducted by an independent professional valuer, Ample Appraisal Limited, under the income-based approach. China New Media is principally engaged in outdoor advertising in Hong Kong, specialising in advertising spaces in lifts and outer walls of buildings. The transaction was completed on 11 August 2011.

The cost was determined by the Directors and represented the sum of the cash consideration, the fair value of the promissory note at the acquisition date using the effective interest method and the capitalised transaction cost. At the completion date of the transaction, the fair value of the consideration was approximately HK$67,141,000, comprising cash of HK$25,000,000, a promissory note with a fair value of approximately HK$41,660,000 and capitalised transaction cost of approximately HK$481,000.

21. Inventories

	The Group	
	2012	2011
	HK$'000	HK$'000
Construction materials	**22,286**	16,180

22. Trade and Other Receivables

	The Group		The Company	
	2012 **HK$'000**	2011 HK$'000	**2012** **HK$'000**	2011 HK$'000
Trade receivables *(note (i), (iii))*	**18,387**	3,026	**—**	—
Retention receivables *(note (ii), (iii)), (note 23)*	**7,765**	6,425	**—**	—
Other receivables and prepayments *(note (iv))*	**11,994**	5,424	**509**	134
Amounts due from customers for contract works *(note 23)*	**15,497**	10,967	**—**	—
Deposits	**3,130**	937	**—**	—
	56,773	26,779	**509**	134

Notes:

(i) *Trade receivables as at the end of the reporting period mainly derived from provision of construction works on civil engineering contracts. The related customers are mainly government department/organisation and reputable corporations. These customers have established good track records with the Group and have no history of default payments. On this basis, the management of the Company believes that no impairment allowance is necessary in respect of the trade receivables as at the end of the reporting period. The Group does not hold any collateral over these balances.*

Included in trade and other receivables are trade receivables (net of impairment losses) with the following ageing analysis as of the end of reporting period:

	The Group	
	2012 **HK$'000**	2011 HK$'000
Current	**18,387**	3,026

The Group grants an average credit period of 30 days to its trade customers of contract works. Application for progress payments of contract works is made on a regular basis.

The balance of trade receivables is neither past due nor impaired.

(ii) *Retention monies withheld by customers of contract works are released after the completion of maintenance period of the relevant contract or in accordance with the terms specified in the relevant contract.*

(iii) *Trade and other receivables including the retention receivables are short term and hence the Directors consider the carrying amounts of trade and other receivables approximate their fair values at the end of the reporting periods.*

(iv) *It mainly consists of prepayments for insurance and advance payment to subcontractors.*

23. Amounts due from/(to) Customers for Contract Works

	The Group	
	2012	2011
	HK$'000	HK$'000
Contracts in progress at the end of the reporting period:		
Contract costs incurred to date plus recognised profits	**563,963**	377,190
Less: recognised losses	**—**	—
	563,963	377,190
Progress billings	**(564,766)**	(366,223)
	(803)	10,967
Analysed for reporting purposes as:		
Amounts due from customers for contract works *(note 22)*	**15,497**	10,967
Amounts due to customers for contract works *(note 26)*	**(16,300)**	—
	(803)	10,967

"Contract costs incurred to date plus recognised profits" comprise direct materials, costs of subcontracting, direct labour, an appropriate portion of variable and fixed construction overheads and gross profit earned to date of the contracts, which is measured by reference to the certification by architects.

"Progress billings" represent the amounts billed to the customers for work performed up to the end of reporting period.

At 31 March 2012, retentions held by customers for contract works included in other receivables (note 22) amounted to approximately HK$7,765,000 (2011: HK$6,425,000).

At 31 March 2012, advances received from customers included in other payables (note 26) under current liabilities amounted to approximately HK$2,200,000 (2011: HK$3,129,000).

24. Cash and Cash Equivalents and Pledged Bank Deposits

Bank balances carry interest at market rates which range from 0.01%–0.05% (2011: 0.01%–0.05%) per annum. The pledged bank deposits carry fixed interest rate of 0.35% (2011: 0.35%) per annum.

Pledged bank deposits represent deposits pledged to a bank to secure banking facilities granted to the Group. Deposits amounting to approximately HK$2,005,000 (2011: HK$2,000,000) have been pledged to secure short-term bank loans and are therefore classified as current assets. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

25. Investments in Subsidiaries

	The Company 2012 HK$'000	The Company 2011 HK$'000
Unlisted shares, at cost	**23,682**	23,647
Amounts due from subsidiaries *(note (a))*	**1,323,807**	3,776
Less: impairment loss recognised *(note (b))*	**(682,663)**	—
	641,144	3,776

Notes:

(a) The amounts due from subsidiaries are unsecured, interest-free and receivable on demand.

(b) After considering the financial positions of the relevant subsidiaries, the Directors are of the opinion that an impairment loss of approximately HK$682,663,000 (2011: nil) has been recognised for the year ended 31 March 2012.

Particulars of the Company's principal subsidiaries at 31 March 2012 are as follows.

Name of company	Place and date of incorporation and form of business structure	Percentage of equity attributable to the Company	Nominal value of issued share capital	Principal activities
Direct Subsidiary				
TYW (BVI) Limited	BVI, 2 July 2009, limited liability company	100	United States Dollars ("US$") 10,000, divided into 10,000 shares of US$1.00 each	Investment holdings
Indirect subsidiaries				
TY Civil	Hong Kong, 16 July 2000, limited liability company	100	HK$15,000,000 divided into 15,000,000 shares of HK$1.00 each	Holding of motor vehicles, provision of waterworks and laying of water pipes
TYW	Hong Kong, 6 February 1996, limited liability company	100	HK$10,000,000, divided into 10,000,000 shares of HK$1.00 each	Provision of waterworks and laying of water pipes
Xinhua TV Asia-Pacific *(note)*	Hong Kong, 22 December 2009, limited liability company	100	HK$10,000, divided into 10,000 shares of HK$1.00 each	Television broadcasting business in the Asia Pacific region (excluding the PRC)

None of the subsidiaries had issued any debt securities at the end of the year.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affect the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Note: This subsidiary was acquired by the Group during the year.

26. Trade and Other Payables

	The Group		The Company	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Trade payables	**19,721**	11,083	**—**	—
Retention money payables	**3,610**	2,237	**—**	—
Advances received from customers *(note (i)) (note 23)*	**2,200**	3,129	**—**	—
Amounts due to customers for contract works *(note 23)*	**16,300**	—	**—**	—
Amount due to a Shareholder *(notes (ii) and (iii))*	**11,017**	145	**—**	—
Deferred revenue	**500**	—	**500**	—
Interest payable	**10,320**	—	**9,454**	—
Amount due to a related party *(note (iv))*	**2,009**	—	**—**	—
Other payables and accruals	**12,805**	5,414	**5,271**	172
	78,482	22,008	**15,225**	172
Less: Interest payable — non-current portion	**(866)**	—	**—**	—
	77,616	22,008	**15,225**	172

Notes:

(i) *Advances received from customers are unsecured, interest free and repayable on demand.*

(ii) *Amount due to a Shareholder as at 31 March 2011 represented the dividend payable to a Shareholder, which is unsecured, interest-free and repayable on demand.*

(iii) *Amount due to a Shareholder as at 31 March 2012 represented amount due to a major Shareholder, China Xinhua NNC, which is unsecured, interest-free and repayable on demand.*

(iv) *Amount due to a related party as at 31 March 2012 represented amount due to 新華音像中心, 新華音像中心 and China Xinhua NNC have a common Shareholder, Xinhua News Agency (新華社). The amount is unsecured, interest-free and repayable on demand.*

The Group normally settles trade payables within 30 days credit term. Based on the invoice date, ageing analysis of trade payables at the end of the reporting period is as follows:

	The Group	
	2012 HK$'000	2011 HK$'000
Current or less than 1 month	**11,917**	8,503
1 to 3 months	**35**	2,322
More than 3 months but less than 12 months	**7,497**	35
More than 12 months	**272**	223
	19,721	11,083

27. Finance Lease Payables

The Group leases a number of its motor vehicles. Such assets are classified as finance leases as the rental period approximates the estimated useful economic lives of the assets concerned and often the Group has the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount. The lease terms ranged from one to three years. For the year ended 31 March 2012, the weighted average interest rate is 4.9% (2011: 8.6%) per annum.

Future lease payments are due as follows:

The Group

At 31 March 2012

	Minimum lease payments HK$'000	**Interest HK$'000**	**Present value HK$'000**
Not later than one year	**1,833**	**157**	**1,676**
Later than one year and not later than five years	**2,636**	**106**	**2,530**
	4,469	**263**	**4,206**

At 31 March 2011

	Minimum lease payments HK$'000	Interest HK$'000	Present value HK$'000
Not later than one year	797	49	748
Later than one year and not later than five years	250	6	244
	1,047	55	992

28. Borrowings

	The Group	
	2012 HK$'000	2011 HK$'000
Interest bearing:		
Secured bank loans — on demand	**3,208**	2,733

During the years ended 31 March 2012 and 2011, the Group obtained a bank loan together with the banking facilities, which was secured by pledged bank deposits with an amount of approximately HK$2,005,000 (2011: HK$2,000,000) and a cross guarantee from a subsidiary of the Company and the Company. The bank loans carry variable interest at a rate of HIBOR plus 2.5% to 2.75% per annum. It is classified as current liabilities as the related loan agreements contain a clause that provides the lenders with an unconditional right to demand repayment at any time at its own discretion. The Group had repaid all outstanding bank loans on 21 May 2012.

29. Employee Benefits

	The Group	
	2012	2011
	HK$'000	HK$'000
Liabilities for employee benefits comprise:		
Annual leave entitlement	**666**	484
Long service payments entitlement	**1,285**	413
	1,951	897

30. Promissory Note

The Group

A promissory note with a principal amount of HK$45,040,000 was issued by Profit Station Limited ("Profit Station"), a direct wholly owned subsidiary of the Company on 11 August 2011 (the "Issue Date") upon the completion of the acquisition of 17% equity interests in China New Media. The promissory note is unsecured, carried interest at the rate of 3% per annum and will mature on 11 August 2014. Profit Station might early redeem all or part of the promissory note at any time from the Issue Date. Unless previously redeemed, Profit Station will redeem the promissory note on its maturity date.

	The Group	
	2012	2011
	HK$'000	HK$'000
At 1 April	**—**	—
Issuance of promissory note	**41,660**	—
Interest charged at as effective rate of 5.744% *(note 10)*	**1,542**	—
Interest payable	**(866)**	—
At 31 March	**42,336**	—

The fair value of the liability component of the promissory note was calculated using an equivalent market interest rate for an equivalent instrument at the Issue Date. The fair value of the liability component of the promissory note at the Issue Date amounted to approximately HK$42,968,000. The fair value is calculated using discounted cash flow method at a rate of 4.542%.

30. Promissory Note *(Continued)*

The Group *(Continued)*

The fair value of the non-equity call option of approximately HK$1,308,000 was valued by Roma Appraisals Limited, an independent professional valuer, using Black-Scholes option pricing model at the Issue Date. The inputs into the model for the value of the non-equity call option were as follows:

Aggregate principal amount	HK$45,040,000
Aggregate redemption amount	HK$45,040,000
Expected option life	3 years
Risk-free rate	0.3%
Expected volatility	3.534%

The whole combined financial instrument, including liability component and non-equity call option was treated as a single compound embedded financial instrument. It was initially stated at fair value and was subsequently measured at amortised cost. The fair value of the promissory note at the Issue Date amounted to approximately HK$41,660,000. Interest expenses on the promissory note are calculated using the effective interest method by applying effective interest rate of 5.744%.

31. Convertible Notes

The Group and the Company

On 9 December 2011, the Company issued Convertible Notes with principal amount of approximately HK$607,030,000, carried interest at the rate of 5% per annum as part of the consideration for the acquisition of Xinhua TV Asia-Pacific. Each note entitles the holder to convert to ordinary shares at a conversion price of HK$0.196 per Share.

Conversion may occur at any time between 9 December 2011 and 9 December 2014. If the notes have not been converted, the Company will redeem the outstanding principal amount on 9 December 2014. Interest of 5% per annum will be paid annually until the notes are converted or redeemed.

The Convertible Notes contains two components, liability and equity component. The equity component is presented in equity heading "Convertible Notes equity reserves". The effective interest rate of the liability component is 6.64%.

	HK$'000
Equity component at date of issue	20,997
Liability component at date of issue	581,787
Interest charged calculated at an effective interest rate of 6.64% *(note 10)*	12,032
Interest payable	(9,454)
Liability component at 31 March 2012	**584,365**

The fair value of liability component of Convertible Notes was measured by using the discounted cash flow method at date of issue. The equity component of Convertible Notes was measured as the difference between the principal amount and the fair value of the liability component at date of issue. The fair value of equity component at the issue date amounted to approximately HK$20,997,000.

32. Deferred Tax Liabilities

The Group

	Intangible assets HK$'000	Convertible Notes HK$'000	Accelerated depreciation allowances HK$'000	Unused tax losses HK$'000	Total HK$'000
At 1 April 2010	—	—	1,658	—	1,658
Credit to profit or loss for the year *(note 12)*	—	—	(117)	—	(117)
At 31 March 2011 and 1 April 2011	—	—	1,541	—	1,541
Acquisition of subsidiaries	93,555	—	—	—	93,555
Recognised directly in equity	—	3,464	—	—	3,464
(Credited)/charged to profit or loss for the year *(note 12)*	(2,920)	(439)	554	(298)	(3,103)
At 31 March 2012	**90,635**	**3,025**	**2,095**	**(298)**	**95,457**

The Company

	Convertible Notes HK$'000
At 1 April 2010, 31 March 2011 and 1 April 2011	—
Recognised directly in equity	3,464
Credited to profit or loss for the year	(439)
At 31 March 2012	**3,025**

At the end of the reporting period, the Group has estimated unused tax losses of approximately HK$9,528,000 (2011: HK$1,040,000) available for offset against future taxable profits. At 31 March 2012, deferred tax assets has been recognised in respect of approximately HK$1,807,000 (2011: nil) of such losses as the Directors consider that the realisation of these deferred tax assets through the future taxable profits of those subsidiaries which incurred these tax losses was probable. No deferred tax asset has been recognised in respect of approximately HK$7,721,000 (2011: HK$1,040,000) of such losses due to the unpredictability of future profit streams of those subsidiaries which incurred these remaining tax losses.

33. Share Capital

The Group and the Company

	Notes	Number of shares At HK$0.01 each	Number of shares At HK$0.001 each	Nominal value HK$'000
Authorised:				
At 1 April 2010		38,000,000	—	380
Increase in authorised share capital	*(a)*	49,962,000,000	—	499,620
Effect of Share Subdivision to HK$0.001 each	*(d)*	(50,000,000,000)	500,000,000,000	—
At 31 March 2011, 1 April 2011 and 31 March 2012		—	500,000,000,000	500,000
Issued and fully paid:				
At 1 April 2010		—	—	9,868
Reorganisation		—	—	(9,868)
Issue of Shares in connection with the Reorganisation		1,000	—	—
Issue of Shares pursuant to the placing	*(b)*	24,800,000	—	248
Capitalisation of share premium account	*(c)*	74,399,000	—	744
Effect of Share Subdivision	*(d)*	(99,200,000)	992,000,000	—
At 31 March 2011 and 1 April 2011		—	992,000,000	992
Issue of Shares pursuant to the placing	*(e)*	—	198,400,000	198
Issue of Shares pursuant to acquisition of subsidiaries	*(f)*	—	474,335,664	474
At 31 March 2012		**—**	**1,664,735,664**	**1,664**

Notes:

(a) Pursuant to the written resolutions of all the Shareholders passed on 11 August 2010, the authorised share capital of the Company was increased from HK$380,000 to HK$500,000,000 by the creation of additional 49,962,000,000 Shares of HK$0.01 each which ranked pari passu in all respects with the Shares then in issue.

(b) On 30 August 2010, 24,800,000 Shares of HK$0.01 each were issued by way of placing at a price of HK$1.28 per Share for cash consideration of HK$31,744,000. The excess of the placing price over the par value of the Shares issued was credited to the share premium account.

(c) On 30 August 2010, an aggregate of 74,339,000 Shares of HK$0.01 each were allotted, issued at par and fully paid to the Shareholders whose names appeared on the register of members of the Company as at 11 August 2010 by way of capitalisation of a total sum of HK$743,990 out of the share premium account of the Company arising from the placing.

(d) On 22 December 2010, an ordinary resolution was passed by the Shareholders at an extraordinary general meeting of the Company pursuant to which each of the issued and unissued Share of HK$0.01 each was sub-divided into 10 new Shares of HK$0.001 each with effect from 23 December 2010.

(e) On 21 July 2011, 198,400,000 Shares of HK$0.001 each were issued by way of placing at a price of HK$0.173 per Share for cash consideration of approximately HK$34,323,000. The excess of the placing price over the par value of the Shares issued was credited to the share premium account.

(f) On 9 December 2011, 474,335,664 Shares of HK$0.001 each were issued at a price of HK$1.42 per Share as part of the consideration for acquisition of subsidiaries. The excess of the issue price over the par value of the Shares issued was credited to the share premium account.

34. Reserves

The Group

	Share premium account HK$'000	Convertible Notes equity reserves HK$'000	Share options reserves HK$'000	Other reserves HK$'000	Retained earnings/ (accumulated losses) HK$'000	Proposed dividend HK$'000	Total HK$'000
At 1 April 2010	—	—	—	—	8,472	4,000	12,472
Profit and total comprehensive income for the year	—	—	—	—	9,746	—	9,746
Reorganisation	—	—	—	9,868	—	—	9,868
Issue of Shares pursuant to the placing	31,496	—	—	—	—	—	31,496
Share placement expenses	(10,776)	—	—	—	—	—	(10,776)
Capitalisation of share premium account	(744)	—	—	—	—	—	(744)
Dividends paid during the year *(note 14)*	—	—	—	—	(3,274)	(4,000)	(7,274)
At 31 March 2011 and 1 April 2011	19,976	—	—	9,868	14,944	—	44,788
Loss and total comprehensive loss for the year	—	—	—	—	(704,897)	—	(704,897)
Issue of Shares pursuant to the placing	34,125	—	—	—	—	—	34,125
Share placement expenses	(1,003)	—	—	—	—	—	(1,003)
Issue of Convertible Notes upon acquisition of subsidiaries	—	20,997	—	—	—	—	20,997
Deferred tax arising from issue of Convertible Notes	—	(3,464)	—	—	—	—	(3,464)
Expenses paid in connection with issue of Convertible Notes upon acquisition of subsidiaries	—	(152)	—	—	—	—	(152)
Issue of Shares upon acquisition of subsidiaries	673,082	—	—	—	—	—	673,082
Expenses paid in connection with issue of Shares upon acquisition of subsidiaries	(674)	—	—	—	—	—	(674)
Equity-settled share options arrangement	—	—	6,027	—	—	—	6,027
Release of share options reserves upon cancellation of equity-settled share options arrangement	—	—	(6,027)	—	6,027	—	—
At 31 March 2012	**725,506**	**17,381**	**–**	**9,868**	**(683,926)**	**–**	**68,829**

34. Reserves *(Continued)*

The Company

	Share premium account HK$'000	Convertible Notes equity reserves HK$'000	Share options reserves HK$'000	Other reserves HK$'000	Accumulated losses HK$'000	Total HK$'000
At 15 March 2010 (date of incorporation)	—	—	—	—	—	—
Loss and total comprehensive loss for the year	—	—	—	—	(1,258)	(1,258)
Reorganisation	—	—	—	23,647	—	23,647
Issue of Shares pursuant to the placing	31,496	—	—	—	—	31,496
Share placement expenses	(10,776)	—	—	—	—	(10,776)
Capitalisation of share premium account	(744)	—	—	—	—	(744)
Dividends paid during the year *(note 14)*	—	—	—	—	(3,274)	(3,274)
At 31 March 2011 and 1 April 2011	19,976	—	—	23,647	(4,532)	39,091
Loss and total comprehensive loss for the year	—	—	—	—	(704,608)	(704,608)
Issue of Shares pursuant to the placing	34,125	—	—	—	—	34,125
Share placement expenses	(1,003)	—	—	—	—	(1,003)
Issue of Convertible Notes upon acquisition of subsidiaries	—	20,997	—	—	—	20,997
Deferred tax arising from issue of Convertible Notes	—	(3,464)	—	—	—	(3,464)
Expenses paid in connection with issue of Convertible Notes upon acquisition of subsidiaries	—	(152)	—	—	—	(152)
Issue of Shares upon acquisition of subsidiaries	673,082	—	—	—	—	673,082
Expenses paid in connection with issue of Shares upon acquisition of subsidiaries	(674)	—	—	—	—	(674)
Equity-settled share options arrangement	—	—	6,027	—	—	6,027
Release of share options reserves upon cancellation of equity-settled share options arrangement	—	—	(6,027)	—	6,027	—
At 31 March 2012	**725,506**	**17,381**	**—**	**23,647**	**(703,113)**	**63,421**

34. Reserves *(Continued)*

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

Reserve	Description and purpose
Share premium account	Under the Companies Law of the Cayman Islands, the share premium account of the Company is distributable to the Shareholders provided that immediately following that date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts when they fall due in the ordinary course of business.
Share options reserves	Share option reserves relates to share options granted under the Company's Share Option Scheme. Further information about share-based payments is set out in note 36.
Other reserves	Other reserves of the Company represents the difference between the consolidated net assets of the subsidiaries at the date on which they were acquired by the Company and the nominal amount of the Company's Shares issued for the acquisition at the time of the Reorganisation.
Retained earnings/(accumulated losses)	Cumulative net gains and losses recognised in profit or loss.
Proposed dividend	Proposed dividend relates to the proposed final dividend of the Company for the relevant years.

35. Acquisition of Subsidiaries

On 9 December 2011, the Group acquired the entire interests of the issued share capital of Xinhua TV Asia-Pacific at an aggregate consideration of HK$700,000,000. At the completion date of the acquisition, the fair value of the consideration was approximately HK$1,280,586,000. The amount of goodwill arising as a result of the acquisition was approximately HK$816,877,000.

	Carrying amount HK$'000	Fair value adjustment HK$'000	Fair value HK$'000
Net assets acquired:			
Intangible assets *(note 19)*	—	567,000	567,000
Other receivables	1,567	—	1,567
Cash and cash equivalents	350	—	350
Other payables	(375)	—	(375)
Amount due to a shareholder	(9,269)	—	(9,269)
Amount due to a related party	(2,009)	—	(2,009)
Deferred tax liabilities	—	(93,555)	(93,555)
Net assets			463,709
Goodwill *(note 17)*			816,877
Total consideration			1,280,586
Satisfied by:			
Issue of Convertible Notes			607,030
Issue of ordinary shares			673,556
			1,280,586
Net cash outflow from acquisition:			
Cash and cash equivalents acquired			350
Less: Consideration paid in cash and cash equivalents			(5,072)
			(4,722)

35. Acquisition of Subsidiaries *(Continued)*

The Group explores new business opportunities to broaden its source of income and expand the business in order to maximise the profit and return for the Group and the Shareholders.

Acquisition-related costs amounting to approximately HK$8,334,000 have been excluded from the consideration transferred and have been recognised as an expense during the year ended 31 March 2012, within the "administrative expenses" line item in the consolidated statement of comprehensive income.

Goodwill arose in the acquisition of Xinhua TV Asia Pacific because of the difference in the issue price of the consideration Shares between completion date and the agreed issue price of the consideration Shares.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

Included in the loss for the year has loss of approximately HK$2,191,000 attributable to Xinhua TV Asia-Pacific and its subsidiaries ("Xinhua TV Group"). No revenue was generated by Xinhua TV Group for post-acquisition period.

Had these business combinations been effected on 1 April 2011, the revenue of the Group would have been HK$218,961,000, and the loss for the year would have been approximately HK$767,960,000. The pro forma financial information is for illustrative purposes only and is not necessarily an indication of revenue and results of the Group that actually would have been completed on 1 April 2011 nor is it intended to be a projection of future profits.

36. Share-Based Payment

The Share Option Scheme was adopted pursuant to a resolution passed at a Board meeting held on 11 August 2010 for the primary purpose of providing incentives or rewards to participants for their contribution to the Group. The Share Option Scheme will expire on 10 August 2020. Under the Share Option Scheme, the Board may grant options to the Directors, employees, non-executive Directors, suppliers of goods and services, customers, advisers and consultants, Shareholders of the Company or any of its subsidiaries for the primary purpose of providing incentives to them, to subscribe for Shares in the Company with the payment of HK$1 per offer.

The total number of Shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the Shares of the Company in issue at the date of Listing of the Shares unless the Company obtains the approval of the Shareholders in general meeting for refreshing such 10% limit, in which case the total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company as "refreshed" shall not exceed 10% of the total number of Shares in issue as at the date of the approval of the Shareholders on the refreshment of the limit. The number of Shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the Shares of the Company in issue at any point in time, without prior approval from the Company's Shareholders. Options granted to substantial Shareholders or independent non-executive Directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's Shareholders.

36. Share-Based Payment *(Continued)*

Options granted must be taken up within 21 business days of the date of grant, upon payment of HK$1 per each grant of options. Options may be exercised in whole or in part by the grantee (or his legal personal representatives) at any time before the expiry of the period to be determined and notified by the Board to the grantee which in any event shall not be longer than ten years commencing on the date of the offer letter and expiring on the last day of such ten-year period subject to the provisions for early termination as contained in the Share Option Scheme. The exercise price is determined by the Directors and will not be less than the highest of the closing price of the Shares on the Stock Exchange on the date of grant, the average closing prices of the Shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the options or the nominal value of the Shares.

All share-based employee compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Shares.

Grantees	Date of grant (dd/mm/yyyy)	Exercisable period (dd/mm/yyyy)	Balance at 1 April 2011	Granted during the year	Exercised during the year	Cancelled during the year	Balance at 31 March 2012	Exercise price HK$
Directors								
Mr. Kan	12/08/2011	12/08/2012 to 11/08/2014	—	9,900,000	—	(9,900,000)	—	0.35
Mr. Cheng	12/08/2011	12/08/2012 to 11/08/2014	—	9,900,000	—	(9,900,000)	—	0.35
Mr. Chia	12/08/2011	12/08/2012 to 11/08/2014	—	9,900,000	—	(9,900,000)	—	0.35
Hui Chi Kwong	12/08/2011	12/08/2012 to 11/08/2014	—	1,000,000	—	(1,000,000)	—	0.35
In aggregate			—	30,700,000	—	(30,700,000)	—	
Employees	12/08/2011	12/08/2012 to 11/08/2014	—	7,000,000	—	(7,000,000)	—	0.35
Consultants, advisors and other eligible participants	12/08/2011	12/08/2012 to 11/08/2014	—	7,300,000	—	(7,300,000)	—	0.35
Total			—	45,000,000	—	(45,000,000)	—	
Weighted-average exercise price			—	0.35	—	0.35	—	

The fair value of options granted using Black-Scholes option pricing model that takes into account factors specific to the share incentive plans. The following principal assumptions were used in the valuation:

Share price at date of grant	HK$0.35
Expected volatility	76.044%
Expected option life	2 years
Dividend yield	0.942%
Risk-free interest rate	0.174%
Exercise price at date of grant	HK$0.35

36. Share-Based Payment *(Continued)*

The underlying expected volatility was determined by reference to historical data, calculated based on expected life of share options. Expectations of early exercise were incorporated into the Black-Scholes option pricing model. No special features pertinent to the options granted were incorporated into measurement of fair value.

In total, approximately HK$6,027,000 of equity-settled share option expenses, including staff costs of approximately HK$5,049,000 and consultancy fee of approximately HK$978,000, have been included in profit or loss for the year ended 31 March 2012 (2011: nil), the corresponding amount has been credited to share options reserves in the owners' equity. No liabilities were recognised due to share-based payment transactions.

During the year ended 31 March 2012, the Company cancelled all share options granted to the grantees.

37. Operating Lease Commitments

The Group as lessee

	2012 **HK$'000**	2011 HK$'000
Minimum lease payments paid under operating leases during the year	**2,510**	1,078

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	The Group		**The Company**	
	2012 **HK$'000**	2011 HK$'000	**2012** **HK$'000**	2011 HK$'000
Within one year	**12,886**	822	**173**	—
In the second to fifth years inclusive	**35,290**	394	**—**	—
Over five years	**20,333**	—	**—**	—
	68,509	1,216	**173**	—

Operating leases related to office property, Director's quarter, certain office equipment, television broadcasting right, the use of satellite capacity and broadcasting services with lease term of between 2 to 10 years (2011: 2 to 3 years). All operating lease contracts contain market review clauses in the event that the Group exercises its option to renew. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

38. Capital Commitments

The Group and the Company

	2012 HK$'000	2011 HK$'000
Commitments for the acquisition of property, plant and equipment	**1,311**	—

39. Contingent Liabilities

The Company

At 31 March 2012, the Company provides guarantee to the extent of approximately HK$3,208,000 (2011: HK$2,733,000) for the banking facilities granted to a subsidiary.

40. Related Party Transactions

The Group

(a) During the year, the Group entered into the following related party transactions:

Related party relationship	**Type of transaction**	**2012 HK$'000**	2011 HK$'000
A company that Mr. Chia had material interest	Rental expenses for an office premises paid *(note (i))*	**103**	48
	Service fee for announcement posting agreement	**7**	9
	Company secretarial fees paid	**116**	—
Mr. Kan	Shareholder's loan to the Company *(note (ii))*	**—**	4,040
China Xinhua NNC	Annual fee for television broadcasting right *(note (iii))*	**312**	—

Notes:

(i) Rental expenses were charged at a term mutually agreed between the Group and the related company.

(ii) The loan was repaid to Mr. Kan on 11 September 2010.

40. Related Party Transactions *(Continued)*

The Group *(Continued)*

(a) *(Continued)*

Notes: (Continued)

(iii) Pursuant to the agreements signed between the Group and China Xinhua NNC on 5 September 2011, China Xinhua NNC granted the television broadcasting right to Xinhua TV Asia-Pacific for the period from 1 September 2011 to 31 August 2021 on an exclusive basis with an annual fee of HK$1,000,000 payable by Xinhua TV Asia-Pacific to China Xinhua NNC prior to 31 December 2016, and HK$3,000,000 payable by Xinhua TV Asia-Pacific to China Xinhua NNC with effect from 1 January 2017.

One of the Directors, who is also a Shareholder of the Company, has provided personal guarantee to the lessor in respect of the Group's finance lease payables as at the end of the reporting period as disclosed in note 27.

The Directors considered that the above related party transactions were conducted on normal commercial terms and in the ordinary and usual course of the Group's business.

(b) Compensation of key management personnel of the Group

The key management personnel of the Group are the Directors of the Company. Details of the remuneration paid to them during the year are set out in note 11.

41. Non-Cash Transactions

Major non-cash transactions during the year ended 31 March 2012 are as follows:

(a) On 11 August 2011, the Group acquired 17% issued share capital of China New Media at an aggregate consideration of HK$70,040,000. At the completion date of the transaction, the fair value of the consideration was approximately HK$67,141,000. The consideration of approximately HK$41,660,000 was satisfied by issue of promissory note.

(b) On 9 December 2011, the Group acquired the entire issued share capital of Xinhua TV Asia-Pacific and its subsidiaries at an aggregate consideration of HK$700,000,000. At the completion date of the acquisition, the fair value of the consideration was approximately HK$1,280,586,000. The consideration of approximately HK$673,556,000 and HK$607,030,000 were satisfied by the Company's ordinary shares and issue of Convertible Notes respectively.

(c) During the year ended 31 March 2012, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of approximately HK$4,683,000 (2011: nil).

(d) On 12 August 2011, the Company granted share options, amounting to approximately HK$6,027,000, to certain grantees to subscribe for up to a total of 45,000,000 ordinary shares in the Company.

42. Financial Instruments

(a) Categories of financial instruments

	The Group	
	2012	2011
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**56,992**	42,758
Available-for-sale financial assets	**67,141**	—
Financial liabilities		
Amortised costs	**709,897**	22,604

	The Company	
	2012	2011
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**641,588**	16,009
Financial liabilities		
Amortised costs	**599,090**	172

42. Financial Instruments *(Continued)*

(b) Financial risk management objectives and policies

Exposure to credit, liquidity and interest rate rises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share prices.

These risks are limited by the Group's financial management policies and practices described below:

(i) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables and cash and cash equivalents. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Ongoing credit evaluation is performed on the financial condition of trade customers and, where appropriate, credit guarantee insurance cover is purchased. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the carrying amounts of the recognised financial assets as stated in the consolidated statement of financial position.

The Company's exposure to credit risk is influenced mainly by the amount of contingent liabilities in relation to the financial guarantees provided by the Company as disclosed in note 39.

The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group has a certain concentration of credit risk as 31% (2011: 57%) and 99% (2011: 93%) of the total of trade receivables, retention receivables and amounts due from customers for contract work, was due from the Group's largest customer and the five largest customers respectively.

42. Financial Instruments *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(ii) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans of cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The table below summarises the maturity profile of the Group's financial liabilities at 31 March on contractual undiscounted payments:

The Group

	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
2012						
Trade and other payables	**24,751**	**19,721**	**25,754**	**5,556**	**75,782**	**75,782**
Finance lease payables	**—**	**510**	**1,323**	**2,636**	**4,469**	**4,206**
Borrowings	**3,231**	**—**	**—**	**—**	**3,231**	**3,208**
Promissory note	**—**	**—**	**—**	**48,227**	**48,227**	**42,336**
Convertible Notes	**—**	**—**	**20,898**	**667,733**	**688,631**	**584,365**
	27,982	**20,231**	**47,975**	**724,152**	**820,340**	**709,897**
2011						
Trade and other payables	5,559	11,083	—	2,237	18,879	18,879
Borrowings	2,794	—	—	—	2,794	2,733
Finance lease payables	172	191	434	250	1,047	992
	8,525	11,274	434	2,487	22,720	22,604

42. Financial Instruments *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(ii) Liquidity risk *(Continued)*

The Company

	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
2012						
Accrued expenses and other payables	**5,271**	**–**	**9,454**	**–**	**14,725**	**14,725**
Convertible Notes	**–**	**–**	**20,898**	**667,733**	**688,631**	**584,365**
Financial guarantee contracts	**3,231**	**–**	**–**	**–**	**3,231**	**3,208**
	8,502	**–**	**30,352**	**667,733**	**706,587**	**602,298**
2011						
Accrued expenses and other payables	172	—	—	—	172	172
Financial guarantee contracts	2,794	—	—	—	2,794	2,733
	2,966	—	—	—	2,966	2,905

42. Financial Instruments *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(iii) Interest rate risk

The Group's exposure to interest rate risk for changes in interest rates to the Group's pledged bank deposits, cash at bank, bank borrowings, Convertible Notes, promissory note and finance lease payables. The Company manages the risk by regularly evaluating its cash flows and by repaying the bank borrowings when sufficient funds are available.

Interest rate profile

The following table details interest rates analysis that the Directors of the Company evaluate its interest rate risk.

	2012		2011	
	Effective interest rate (%)	**HK$'000**	Effective interest rate (%)	HK$'000
Financial liabilities				
Fixed rate borrowings				
— Finance lease payables	**4.9**	**4,206**	8.6	992
— Convertible Notes	**6.64**	**584,365**	—	—
— Promissory note	**5.74**	**42,336**	—	—
Floating rate borrowings				
— Bank borrowings	**2.7**	**3,208**	2.7	2,733
Financial assets				
Fixed rate assets				
— Pledged bank deposits	**0.35**	**2,005**	0.35	2,000
Floating rate assets				
— Bank balances	**0.01–0.05**	**10,011**	0.01–0.05	16,233

Sensitivity analysis

At 31 March 2012, it is estimated that a general decrease or increase of 100 (2011: 100) basis points in interest rates, with all other variables held constant, would increase or decrease the Group's loss after tax by approximately HK$68,000 (2011: HK$135,000). There is no impact on other components of equity.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis point decrease or increase represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for 2011.

The Company has no significant interest rate risk as the Company does not have significant financial assets and financial liabilities bearing floating interest rates.

42. Financial Instruments *(Continued)*

(c) Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active markets are determined with reference to quoted market bid prices and ask prices respectively.
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.
- The fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values:

The Group

	2012		2011	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Financial liabilities				
Convertible Notes	**584,365**	**584,805**	—	—
Promissory note	**42,336**	**41,623**	—	—

The Company

	2012		2011	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Financial liabilities				
Convertible Notes	**584,365**	**584,805**	—	—

42. Financial Instruments *(Continued)*

(c) Fair value of financial instruments *(Continued)*

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

No analysis is disclosed since the Group and the Company has no financial instruments that are measured subsequent to initial recognition at fair value at the end of the reporting period.

There were no transfers between Levels 1 and 2 in both years.

43. Capital Risk Management

The Group's objective of managing capital is 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. The Group's overall strategy remains unchanged from prior years.

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 net debt (which includes trade and other payables, finance lease payables, borrowings, employee benefits, promissory notes and Convertible Notes, net of cash and cash equivalents) and equity attributable to owners of the Company, comprising share capital and reserves.

As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

The net debt to equity ratio at the end of the reporting period was as follows:

	2012 **HK$'000**	2011 HK$'000
Debt *(note (a))*	**714,548**	26,630
Less: Cash and cash equivalents	**(10,011)**	(16,233)
Net debt	**704,537**	10,397
Equity *(note (b))*	**70,493**	45,780
Net debt and equity	**775,030**	56,177
Net debt to equity ratio	**91%**	19%

Notes:

(a) Debt comprises trade and other payables, finance lease payables, borrowings, employee benefits, promissory note and Convertible Notes as detailed in note 26, 27, 28, 29, 30 and 31 respectively.

(b) Equity includes all capital and reserves attributable to owners of the Company.

44. Events after the Reporting Period

On 29 March 2012, Lotawater entered into (i) the placing agreement in relation to the placing of 10,000,000 Shares beneficially owned by Lotawater (the "Placing Agreement") with Polaris Securities (Hong Kong) Limited (the "Placing Agent") and (ii) the conditional subscription agreement entered into between the Company and Lotawater dated 29 March 2012 in relation to the subscription for the Shares to be subscripted to Lotawater (the "Subscription Agreement") with the Company. Pursuant to the Placing Agreement, the Placing Agent agreed to place, on a best effort basis, a total of 10,000,000 Shares at a price of HK$1.00 per placing Share. Pursuant to the subscription agreement, the vendor has conditionally agreed to subscribe for such number of placing Shares, being 10,000,000 Shares, at a price of HK$1.00 per subscription Share. The completion of the placing took place on 30 March 2012 and a total of 10,000,000 placing Shares were successfully placed to not less than six placees at the placing price. The completion of the subscription took place on 12 April 2012, whereby a total of 10,000,000 subscription Shares were allocated and issued to Lotawater at the subscription price. Further details were set out in the announcements of the Company dated 29 March 2012 and 12 April 2012 respectively.

45. Approval of Financial Statements

The Financial Statements were approved and authorised for issue by the Board of Directors on 1 June 2012.

Financial Summary

A summary of the results and of the financial position of the Group for the last four financial years, as extracted from the published audited financial statements, is set out below.

Consolidated Results

For the year ended 31 March

	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000
Revenue	**218,961**	184,307	148,844	87,696
Cost of services	**(214,884)**	(162,107)	(121,872)	(70,617)
Gross profit	**4,077**	22,200	26,972	17,079
Other revenue	**217**	544	811	2,539
Administrative expenses	**(32,735)**	(10,739)	(6,753)	(5,431)
(Loss)/profit from operations	**(28,441)**	12,005	21,030	14,187
Finance costs	**(13,852)**	(341)	(634)	(455)
Impairment loss in respect of goodwill	**(665,683)**	—	—	—
(Loss)/profit before income tax	**(707,976)**	11,664	20,396	13,732
Income tax	**3,079**	(1,918)	(3,558)	(2,327)
(Loss)/profit and total comprehensive (loss)/income for the year	**(704,897)**	9,746	16,838	11,405

Consolidated Financial Position

At 31 March

	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000
Non-current assets	**788,289**	12,711	13,308	8,697
Current assets	**92,209**	61,513	48,389	45,196
Total assets	**880,498**	74,224	61,697	53,893
Less: Current liabilities	**84,451**	26,659	36,873	27,497
Total assets less current liabilities	**796,047**	47,565	24,824	26,396
Less: Non-current liabilities	**725,554**	1,785	2,484	2,324
Total net assets/Total equity	**70,493**	45,780	22,340	24,072

Note:

(a) The summary of financial information for the year ended 31 March 2008 was not disclosed as combined financial statements for the Group have not been prepared for that year.

(b) The summary of the financial information of the Group for each of two years ended 31 March 2009 and 2010 have been extracted from the Prospectus. Such summary was prepared as if the current structure of the Group had been in existence throughout these financial years.