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

2012-2013

Annual Report

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	2013 HK$'000	2012 HK$'000
Revenue	33.3%	**291,822**	218,961
Gross profit	100.1%	**43,570**	21,771
Loss before income tax	−82.7%	**(122,779)**	(707,976)
Loss attributable to owners of the Company	−83.5%	**(116,189)**	(704,897)
Basic and diluted loss per Share	−87.4%	**(6.94)**	(55.16)
Dividend per Share	N/A	**N/A**	N/A

CONSOLIDATED FINANCIAL POSITION

As at 31 March

	Changes	2013 HK$'000	2012 HK$'000
Total assets	−12.0%	**774,930**	880,498
Cash and cash equivalents	232.3%	**33,266**	10,011
Total liabilities	0.1%	**811,033**	810,005
Equity attributable to owners of the Company	N/A	**(36,103)**	70,493

RATIOS

As at 31 March

	2013	2012
Return on equity *(Note (a))*	**N/A**	−1,000.0%
Return on assets *(Note (b))*	**−15.0%**	−80.1%
Current ratio *(Note (c))*	**1.18 times**	1.09 times
Gearing ratio *(Note (d))*	**83.2%**	72.3%

Notes:

(a) Return on equity is calculated as net loss divided by Shareholders' equity.

(b) Return on assets is calculated as net loss 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. During the year, the Group has commenced its outdoor mass media advertising business.

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 business of provision of waterworks engineering services, road works and drainage services and site formation works for the public sector is 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.

The Group's business of broadcasting television programmes on television channels operated by television broadcasting companies in return for advertising and related revenue and this business segment is carried out through Xinhua TV Asia-Pacific and its subsidiaries.

The Group's business of outdoor mass media advertising is carried out through CNCTV Media Limited.

REGISTRATIONS HELD FOR UNDERTAKING PRINCIPAL ACTIVITIES

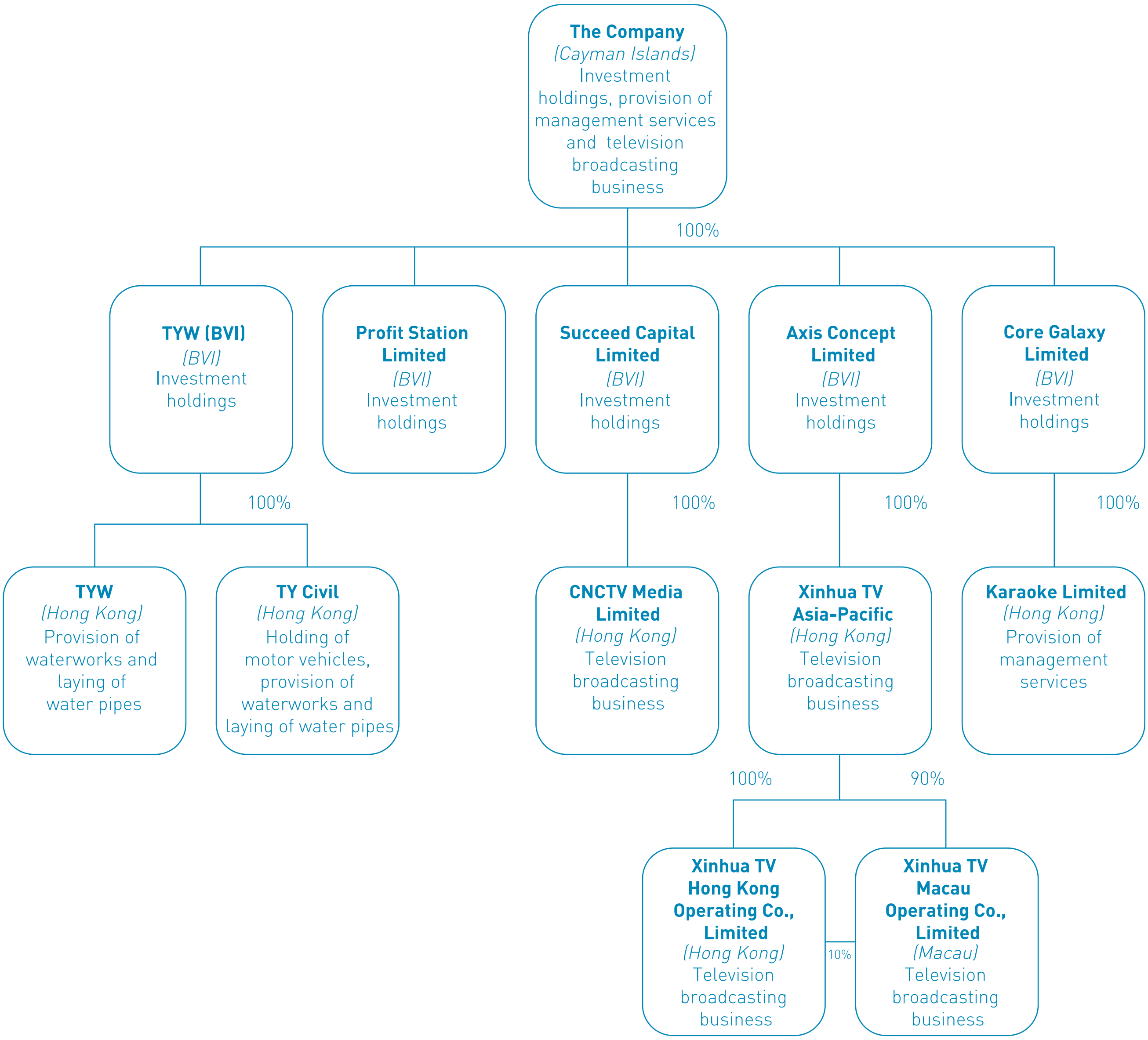
The Group has obtained the following registrations from Works Branch Development Bureau (發展局工務科) of the Government for undertaking projects as a main contractor:

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)	A maximum of two contracts exceeding HK$75 million each in any one category, provided that the total value of works in any one category does not exceed HK$220 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 2013:



Corporate Information

DIRECTORS

Executive Directors

Mr. Wu Jin Cai *(Chairman)*
Dr. Lee Yuk Lun *(Vice chairman)*
(appointed on 22 June 2012)
Mr. Zou Chen Dong *(Chief Executive Officer)*
Mr. Kan Kwok Cheung
Mr. Chia Thien Loong, Eric John
Mr. Cheng Ka Ming, Martin
(resigned on 22 June 2012)
Mr. Hui Chi Kwong *(resigned on 22 June 2012)*
Ms. Wu Xu Hong *(resigned on 5 February 2013)*

Non-executive Directors

Mr. Li Yong Sheng *(appointed on 4 February 2013)*
Ms. Liang Hui

Independent Non-executive Directors

Mr. Chan Hon Yuen
Mr. Chu Siu Lun, Ivan
Mr. Hau Chi Kit
Mr. Jin Hai Tao *(appointed on 22 June 2012)*

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)*
Mr. Chu Siu Lun, Ivan
Mr. Hau Chi Kit
Mr. Jin Hai Tao *(appointed on 22 June 2012)*
Mr. Li Yong Sheng *(appointed on 4 February 2013)*
Ms. Liang Hui

REMUNERATION COMMITTEE

Mr. Jin Hai Tao *(Chairman)*
(appointed on 22 June 2012)
Mr. Chu Siu Lun, Ivan
Mr. Hau Chi Kit
(resigned as chairman on 22 June 2012)
Ms. Liang Hui

NOMINATION COMMITTEE

Mr. Wu Jin Cai *(Chairman)*
Mr. Chan Hon Yuen
Mr. Chu Siu Lun, Ivan
Mr. Hau Chi Kit
Mr. Jin Hai Tao *(appointed on 22 June 2012)*
Ms. Liang Hui

COMPLIANCE ADVISOR

Optima Capital Limited

AUDITORS

HLB Hodgson Impey Cheng Limited
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
Wanchai, 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

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
"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
"Dr. Lee"	Dr. Lee Yuk Lun (李鋈麟), an executive Director
"Financial Statements"	the audited financial statements of the Group for the year ended 31 March 2013
"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
"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
"Macau"	the Macau Special Administrative Region of the PRC
"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 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
"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
"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 liabilities on 22 December 2009 and an indirect wholly-owned subsidiary of the Company
"%"	per cent

Chairman's Statement

To all Shareholders,

On behalf of the Board, I herein present the annual results of the Group for the year ended 31 March 2013.

RESULTS FOR THE YEAR

During the year ended 31 March 2013, we generated approximately HK$291.8 million revenue, which represented an increase of approximately 33.3% over the revenue for the year ended 31 March 2012 (2012: HK$219.0 million).

The gross profit increased by approximately 100.1% from approximately HK$21.8 million for the year ended 31 March 2012 to approximately HK$43.6 million for the year ended 31 March 2013.

The net loss of our Group for the year ended 31 March 2013 was approximately HK$116.2 million, representing approximately 83.5% decrease from that of previous year (2012: HK$704.9 million).

FUTURE PROSPECTS

During the year, the Group continued to generate considerable revenue from its business of provision of waterworks engineering services, while devoting efforts to further develop its television broadcasting business. 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 has 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 stage, will also create tremendous business opportunities to our Group in the coming years.

During the year, the Group has placed more effort and resources in the television broadcasting business. By leveraging on the brand name of Xinhua News Agency and drawing on the strength of Xinhua News Agency, the Group has been uniquely positioned to participate in the television broadcasting business with broadcasting network of television channels having a relatively extensive scale. The advertising revenue derived 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 of 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 order to maintain strong and competitive in the midst of the business growth, the Group will continue to emphasize the importance of human value and consistent delivery of quality, on time and cost effective products and services to our clients. In addition, we will continue explore opportunities to broaden the business scope with the ultimate goal to maximize the 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.

Wu Jin Cai
Chairman

31 May 2013

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 and 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. During the year ended 31 March 2013, the Group continued to focus on rendering waterworks and civil services to the public sector in Hong Kong and develop its business on television broadcasting. At the same time, the Group has commenced its outdoor mass media advertising business.

Provision of waterworks and civil services

During the year ended 31 March 2013, the Group has been undertaking two main contracts and six subcontracts. Among the eight contracts, five are related to provision of waterworks engineering services and the three remaining contracts are related to provision of drainage services. Details of the contracts undertaken are set out below:

Contract number	Particulars of contract	Client	Contract period under main contracts	
Main contracts				
9/WSD/09	Replacement and rehabilitation of water mains stage 3 — mains in Sai Kung	WSD	May 2010 – Jun 2013	
8/WSD/11	Construction of Pak Shek Kok Fresh Water Service Reservoir Extension	WSD	Dec 2011 – Mar 2014	
Subcontracts				**Total contract value** HK$1,636.4 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 – Mar 2013	
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 – Dec 2013	
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	**Total amount of works certified** *(Note)* HK$840.6 million
DC/2012/04	Sewerage in Kau Lung Hang San Wai, Kau Lung Hang Lo Wai and Tai Hang	Hsin Chong Tsun Yip Joint Venture	Jun 2012 – Jun 2016	
DC/2012/07	Lam Tsuen Valley Sewerage — village sewerage, stage 2, phase 1	Hsin Chong Tsun Yip Joint Venture	Oct 2012 – Jul 2015	
DC/2012/08	Lam Tsuen Valley Sewerage — village sewerage, stage 2, phase 2	Hsin Chong Tsun Yip Joint Venture	Nov 2012 – Mar 2016	

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

Among the above eight contracts, three subcontracts (contract numbered DC/2012/04, DC/2012/07 and DC/2012/08) were newly awarded during the year ended 31 March 2013.

During the year ended 31 March 2013, the two contracts with contracts numbered 8/WSD/10 and 18/WSD/08 were the main contributors to the Group's revenue, which generated approximately HK$153.9 million and HK$58.6 million, constituting approximately 52.7% and 20.1% of the Group's total revenue respectively.

Television broadcasting business

The Group's production of the ten-episode television feature programme — "Hong Kong, Hong Kong" was completed in June 2012. The Chinese version and English version of the television feature programme were broadcasted in the China Xinhua News Network World Channel (the "CNC Channel") (Chinese) and CNC Channel (English) (collectively the "CNC Channels") respectively from late June 2012 to early July 2012. CNC Channels are currently broadcasted in more than 60 countries and regions worldwide. "Hong Kong, Hong Kong" was also broadcasted in Hong Kong Cable TV Channel No. 66 and the prime time slots of 43 television channels in the PRC, including Jiangsu TV (江蘇衛視), Heilongjiang TV (黑龍江衛視), Guangdong TV (廣東電視台) and Tianjin TV (天津電視台). "Hong Kong, Hong Kong" received good responses from audiences and has been awarded the second honour of the humanities documentary films in the eighth Chinese documentary international films selection meeting (第八屆中國紀錄片國際選片會) of China Radio and TV Association Documentary Council (中國廣播電視協會紀錄片工作委員會). Besides, the Group has launched the global premiere of the locally produced programme — "Hong Kong Voice Express" during the year ended 31 March 2013. "Hong Kong Voice Express" is broadcasted in the CNC Channel (Chinese) weekly and can be viewed in Hong Kong via Hong Kong Cable TV Channel No. 66. The latest information of the programme could also be viewed through other media platforms, including the blogs created in Sina Weibo (新浪微博) and Tencent Weibo (騰訊微博), and the subscription of CNCTVHK in Youtube and Facebook by audiences, through which the latest information of the programme could be obtained.

During the year ended 31 March 2013, the Group had successfully entered into an advertising agreement pursuant to which the Group was entitled to receive the minimum guarantee of HK$5.0 million for selling the advertising time slot in between programmes in Hong Kong Cable TV Channel No. 66 from 1 April 2012 to 30 September 2012.

On 19 July 2012, the Group as the licensor, had entered into a channel carriage agreement (the "Channel Carriage Agreement") with Asian Broadcasting Network (M) Sdn Bhd, a company incorporated under the laws of Malaysia and as the licensee, pursuant to which the licensor has agreed to grant to the licensee a non-exclusive and non-transferable license and right to distribute, use, promote and make available the contents of the CNC Channels to its subscribers through its services in Malaysia. Details of the Channel Carriage Agreement were set out in the announcement of the Company dated 14 September 2012. On 25 October 2012, the Group had also entered into a cooperation memorandum (the "Cooperation Memorandum") with Lao Digital TV Co., Ltd. (the "Lao Digital TV"), a company incorporated under the laws of the Lao People's Democratic Republic (the "Laos"), pursuant to which Lao Digital TV will broadcast the CNC Channels through its service in Laos. Details of the Cooperation Memorandum were set out in the announcement of the Company dated 25 October 2012. The Directors believe that by broadcasting the CNC Channels in Malaysia and Laos through cooperation with local television broadcasting companies, the Group will be able to boost up CNC Channels' viewership and lay a solid foundation for the Group to attract more advertising clients.

During the year ended 31 March 2013, the Company has launched a new project — project of large outdoor display screen under global display screen commercials network. On 12 November 2012, the Company entered into the outdoor full-colour LED display and advertisement release system construction agreement (the "Outdoor Full-Colour LED Display and Advertisement Release System Construction Agreement") with Shenzhen AOTO Electronics Co., Ltd. ("AOTO Electronics"), pursuant to which the Company has agreed to purchase from AOTO Electronics, and AOTO Electronics has agreed to supply to the Company, outdoor full-colour LED displays and a networked LED control platform on the terms and subject to the conditions of the Outdoor Full-Colour LED Display and Advertisement Release System Construction Agreement. On 18 December 2012, the Company placed its first order with AOTO Electronics for the purchase of first batch of outdoor full-colour LED displays. Details of the Outdoor Full-Colour LED Display and Advertisement Release System Construction Agreement were set out in the announcement of the Company dated 12 November 2012.

At the same time, the Group also entered into the LED display construction and operation agreements (the "LED Display Construction and Operation Agreements") with several commercial real estate developers and the LED display construction and operation strategic cooperation agreement (the "LED Display Construction and Operation Strategic Cooperation Agreement") with a property developer, pursuant to which the commercial real estate developers and the property developer will provide the sites for the Company to construct LED displays which will be put into commercial operations after the completion of the construction. Details of the LED Display Construction and Operation Agreements and LED Display Construction and Operation Strategic Cooperation Agreement were set out in the announcement of the Company dated 18 December 2012.

The Directors believe that the Company has competitive advantages in developing the LED display broadcasting and advertising business and such endeavour will increase the profitability of the Company, which is in the interests of the Company and its Shareholders as a whole.

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

FINANCIAL REVIEW

Revenue

For the year ended 31 March 2013, the Group reported a revenue of approximately HK$291.8 million (2012: approximately HK$219.0 million), representing an increase of approximately 33.3% as compared with that for the previous year. The revenue derived from provision of waterworks and civil services and television broadcasting business contributed approximately 96.0% and 4.0% to the Group's total revenue respectively. The higher revenue was mainly due to the increase in works from the replacement and rehabilitation of water mains stage 4 phase 1 — mains in Tuen Mun, Yuen Long, North District and Tai Po (contract number 8/WSD/10) and the replacement and rehabilitation of water mains stage 3 — mains on Hong Kong Island South and outlying islands (contract number 18/WSD/08) as well as commencement of several contracts are related to provision of drainage services. With the commencement of television broadcasting business during the year ended 31 March 2013, the Group started to derive advertising revenue of approximately HK$11.8 million (2012: Nil).

During the year ended 31 March 2013, 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			
	2013		2012	
	HK$'000	**% of total**	HK$'000	% of total
Main contractor	**47,124**	**16.8**	56,188	25.7
Subcontractor	**232,907**	**83.2**	162,773	74.3
Total	**280,031**	**100.0**	218,961	100.0

Cost of services

The Group's cost of services increased by approximately 25.9% to approximately HK$248.3 million (2012: approximately HK$197.2 million) for the year ended 31 March 2013 as compared with that for the previous year. The Group's cost of services mainly includes cost of construction services, transmission costs and broadcasting fee. 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 broadcasting fee comprises fee payable to media broadcasting providers and China Xinhua NNC. The following table sets out a breakdown of the Group's cost of services:

	For the year ended 31 March			
	2013		2012	
	HK$'000	**% of total**	HK$'000	% of total
Cost of construction services				
Raw materials	**19,373**	**7.8**	30,162	15.3
Direct labour	**52,371**	**21.1**	42,365	21.5
Subcontracting fee	**125,081**	**50.4**	84,773	43.0
Other direct costs	**44,717**	**18.0**	37,699	19.1
Subtotal	**241,542**	**97.3**	194,999	98.9
Transmission costs	**2,500**	**1.0**	783	0.4
Broadcasting fee	**4,210**	**1.7**	1,408	0.7
Total	**248,252**	**100.0**	197,190	100.0

Gross profit

The gross profit of the Group for the year ended 31 March 2013 increased by approximately 100.1% to approximately HK$43.6 million (2012: approximately HK$21.8 million) as compared with that for the previous year. The gross profit margin of the Group increased to approximately 14.9% for the year ended 31 March 2013 (2012: approximately 9.9%). The increase in gross profit and gross profit margin was largely as a consequence of higher revenue and gross margin derived from certain projects at the early stage.

Other income and gains

The Group's other income and gains for the year ended 31 March 2013 increased by approximately 134.1 times to approximately HK$29.3 million (2012: approximately HK$217,000) as compared with that for the previous year. The increase was mainly attributable to the waiver of the interests on Convertible Notes in an aggregate amount of approximately HK$28.6 million (2012: Nil) from Proud Glory and China Xinhua NNC for the year ended 31 March 2013.

Amortisation expenses

The Group's amortisation expenses for the year ended 31 March 2013 increased by approximately 2.4 times to approximately HK$60.5 million (2012: approximately HK$17.7 million) as compared with that for the previous year. The amortisation expenses mainly consisted of amortisation of television broadcasting rights and film rights for the television broadcasting business. Such amortisation expenses were incurred upon the completion of acquisition of entire interest in Xinhua TV Asia-Pacific in December 2011.

Selling and distribution expenses

The Group's selling and distribution expenses for the year ended 31 March 2013 amounted to approximately HK$423,000 (2012: Nil). The selling and distribution expenses mainly consisted of advertising expenses for the television broadcasting business for the year.

Administrative expenses

The Group's administrative expenses for the year ended 31 March 2013 decreased by approximately 15.6% to approximately HK$27.6 million (2012: approximately HK$32.7 million) as compared with that for the previous year. The administrative expenses mainly consisted of auditor's remuneration, legal and professional fees, staff costs (including Directors' remuneration), depreciation expenses and rental expenses. The decrease in the administrative expenses was mainly attributable to one-off legal and professional fee incurred for the acquisition during the year ended 31 March 2012.

Finance costs

The Group's finance costs for the year ended 31 March 2013 increased by approximately double to approximately HK$41.4 million (2012: approximately HK$13.9 million) as compared with that for the previous year. The increase was mainly attributable to the incurrence of interest expenses on the promissory note and Convertible Notes.

Impairment loss recognised in respect of available-for-sale financial assets

During the year ended 31 March 2012, the Group entered into a sale and purchase agreement with an independent third party to acquire 17% of total 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 promissory note with principal amount of approximately HK$45.0 million. China New Media is principally engaged in outdoor advertising in Hong Kong, specializing in advertising spaces in lifts and outer walls of buildings. Prior to signing off the sale and purchase agreement, the Company has performed due diligence procedures in assessing the requisite legal and financial information of China New Media, including but not limited to, (i) meeting with management of China New Media and understand the background of China New Media; (ii) obtaining existing contracts/memorandum of understanding; and (iii) consulting with professional parties, such as legal advisors and professional valuer. The then board of directors of the Company, after due and careful consideration of the facts available to them, voted for the acquisition of China New Media. Upon completion, the Group held 17% equity interests in China New Media as a long term investment and the Company does not have a board seat nor any managerial role in China New Media. At the acquisition date, the fair value of consideration was amounted to approximately HK$ 67.1 million.

The impairment loss arose from the difference between the fair value of consideration at date of acquisition and the recoverable amount of 17% equity interests in China New Media as at 31 March 2013. The recoverable amount of China New Media was determined with reference to a valuation conducted by an independent valuer, based on the financial position of China New Media as at 31 March 2013 and the number of contracts concluded and still in effect as at 31 March 2013. The Directors considered that the recoverable amount of China New Media is significantly less than its investment cost due to adverse financial position and the reduced number of contracts on hand and recognised the impairment loss in the Financial Statements.

The Directors considered that the Company should further enhance the monitoring measures in minority interests investments, for example, enhancing risk management and introducing internal control procedures to invested entities where necessary and obtaining financial control on the invested entity when possible. Albeit every investment is considered on a case by case basis, the Directors also considered focusing on acquisition of controlling interest investment in the future in an effort to implement the above strategy.

Net loss

The Group recorded a net loss attributable to owners of the Company for the year ended 31 March 2013 decreased by 83.5% to approximately HK$116.2 million (2012: approximately HK$704.9 million) as compared with that for the previous year. The decrease in net loss was mainly resulted from the one-off impairment loss in respect of goodwill recognised for the year ended 31 March 2012. The net loss for the year ended 31 March 2013 was mainly resulted from the incurrence of impairment loss in respect of available-for-sale financial assets, amortisation expenses, incurrence of finance costs on the promissory note and Convertible Notes of the Group.

Loss per Share

The basic loss per Share for the year ended 31 March 2013 was approximately HK6.94 cents (2012: approximately HK55.16 cents).

PROSPECTS

With the commencement of the television broadcasting business, the Group is well positioned to compete favorably and benefit from rising performance of television broadcasting business in coming years. In addition, the Group has commenced its outdoor mass media advertising business and launched the new project of large outdoor display screen. The Directors expect that the television broadcasting business will be the key driver of our future revenue growth while the provision of waterworks and civil services will continue to contribute stable revenue to the Group.

Provision of waterworks and civil services

The performance of the Group's waterworks business was comparable with that for the previous year. 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 has commenced in January 2012 and will be completed in 2015. About 350 kilometres of water mains will be replaced and rehabilitated at this stage.

Not only will the R&R Programme launched by WSD continues to open up numerous waterworks opportunities to the Group, the infrastructure and development projects being currently implemented or to be implemented by the Government, roads and drainage works and site formation works will also create tremendous business opportunities to the Group in the future. On 13 June 2012, the Group and Hsin Chong Construction Company Limited ("Hsin Chong") have jointly obtained a new main contract of sewerage in Kau Lung Hang San Wai, Kau Lung Hang Lo Wai and Tai Hang (contract numbered DC/2012/04) with total contract sum of approximately HK$178.1 million. Also, on 9 November 2012, the Group and Hsin Chong have jointly obtained two new main contracts of Lam Tsuen Valley Sewerage — Village Sewerage, Stage 2, Phase 1 (contract numbered DC/2012/07) and Lam Tsuen Valley Sewerage — Village Sewerage, Stage 2, Phase 2 (contract numbered DC/2012/08) with contract sums of HK$164.1 million and HK$161.9 million respectively.

We believe that the Group is able to take up more contracts and capture more potential business opportunities. 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

Our recent initiative to grow our television broadcasting business is a strategic move. During the year, the Group has diversified its business to television broadcasting business and strengthened its income stream upon the commencement of television broadcasting business. Drawing on the brand name of Xinhua News Agency, the Group is positioned to capture the opportunities arising from this business segment with relatively low initial entry barrier. The Group 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, Mongolia and, as recently started, in Malaysia and Laos through entering into the Channel Carriage Agreement and Cooperation Memorandum respectively. The Directors believe that the Group's 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 the business will bring in substantial advertising and related revenue to the Group in the future.

In addition, with the great success of television programmes "Hong Kong, Hong Kong" and "Hong Kong Voice Express", the Group will continue to produce information contents in the future. The broadcasting of self-produced information contents will help to build up and enhance local viewership with information contents of local interest in languages commonly used locally and also enhance the media revenue stream by tailor-making certain information contents related to particular advertising clients.

Towards this end, the Group has entered into a TV broadcasting agreement and relevant commercial advertisement operations assignment with Now TV of PCCW Media Limited in Hong Kong on 21 May 2013 and with TV 44 of New Zealand Chinese Television Limited in New Zealand on 24 May 2013. Accordingly CNC Channels will be broadcasted on Now TV Channel No. 369 in place of Hong Kong Cable TV Channel No. 66 starting from 1 July 2013. CNC Channel (English) contents will be broadcasted on TV 44 of New Zealand Chinese Television Limited starting from 1 May 2013.

During the year, the Group has commenced its outdoor mass media business and launched a new project — project of large outdoor display screen under global display screen commercials network. Leveraging on the resources of Xinhua News Agency, a substantial Shareholder, in information collection, processing and release, the Company enjoys a favourable position in developing the LED display broadcasting and advertising business in HOPSCAs (i.e. complexes of hotels, offices, parks, shopping malls, clubs and apartments), which will certainly improve the Group's profitability.

The advertising revenue from broadcasting of self-produced information contents and sales of advertising time slots in between programmes 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. In addition, the Group will continue to negotiate with potential commercial real estate developers to boost up the project of large outdoor display screen and potential television broadcasting companies, advertising companies and advertising clients on selling advertising time slots in our channels in return for advertising revenue. By leveraging on the brand name of Xinhua News Agency, the Group could save brand development and marketing costs in promoting and negotiating with them. The Directors believe that such endeavour, coupled with the Group's advertising capability in television broadcasting, will enable the Group to further diversify its advertising business. The Group will continue to put effort into expanding the television broadcasting business in the long run. We are confident that it will bring our business collectively and integrally to new heights in the coming few years.

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 2013 is set out below:

Business objectives for the year ended 31 March 2013 as stated in the Prospectus	Actual business progress up to 31 March 2013
Expansion of business scale	
• Implementation of the contract numbered DC/2012/04, DC/2012/07 and DC/2012/08 (the "New Project") and the waterworks contracts (the "Prospective Projects")	• The Group is implementing the New Project and no Prospective Projects have been obtained
• Monitor the forecasts of work tenders published on the website of Works Branch Development Bureau of the Government ("WBDB") for upcoming tenders for the year	• The Group is monitoring the forecasts of work tenders published on the website of WBDB
• Closely monitor the tender notices published by the relevant Government department for contract works, identify prospective projects and evaluate the viability of taking on additional contract works by the Group	• The Group is closely monitoring the tender notices published by the relevant Government department for contract works to identify prospective projects and evaluate the viability of taking on additional contract works by the Group
Further enhancement in work quality	
• Maintain ongoing quality assurance review on the works performed by the Group	• The Group is maintaining ongoing quality assurance review on the works performed by the Group
Strengthening of safety team	
• Maintain ongoing inspection at the work site to ensure the safety policy is properly implemented	• The Group is 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 incurrence of cost for tax review and disbursements.

During the year ended 31 March 2013, 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 2013 (HK$ million)	**Actual use of proceeds during the year ended 31 March 2013** (HK$ million)
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	0.48	0.48
	1.44	1.44

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 was applied in accordance with the actual development of the market.*

(b) *The unused net proceeds as at 31 March 2013 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 29 March 2012, the Company entered into top-up placing agreement and subscription agreement 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. The proceeds from the top-up placing was used to finance daily operations of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 March 2013, the Group generally financed its operations through internally generated cash flows and net proceeds from the placing exercise.

As at 31 March 2013, the Group had net current assets of approximately HK$15.5 million (31 March 2012: approximately HK$7.8 million), including cash balance of approximately HK$33.3 million (31 March 2012: approximately HK$10.0 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 1.18 as at 31 March 2013 (31 March 2012: approximately 1.09) which remains healthy.

GEARING RATIO

The gearing ratio, which is based on the total amount of total bank borrowings, promissory note, Convertible Notes, finance lease payables and advance received from customers divided by total assets, was approximately 83.2 % as at 31 March 2013 (31 March 2012: approximately 72.3%). The increase was mainly resulted from decrease in total asset for the year ended 31 March 2013.

FOREIGN EXCHANGE EXPOSURE

The group entities collect most of the revenue and incur most of the expenditures in their respective functional currencies. The Directors consider that the Group's exposure to foreign currency exchange risk is insignificant as the majority of the Group's transactions are denominated in the functional currency of each individual group entity. For this year, the Group was mainly exposed to foreign currency exchange risk of United States Dollars and Renminbi and the management mainly monitored the foreign currency exchange risk with advices from the Group's major bankers.

CAPITAL COMMITMENT

As at 31 March 2013, the Group had an outstanding commitment of approximately HK$10.7 million in respect of acquisition of property, plant and equipment. Save as aforesaid, the Group did not have any significant capital commitments (31 March 2012: approximately HK$1.3 million).

CHARGES ON THE GROUP'S ASSETS

As at 31 March 2013, the Company did not have any pledged assets for Group's borrowings. As at 31 March 2012, the Company pledged approximately HK$2.0 million time deposit for a HK$10.0 million bank facility and the outstanding amount of the loan facility was approximately HK$3.2 million.

The Group's motor vehicles with net book value as at 31 March 2013 amounted to approximately HK$7.5 million (31 March 2012: approximately HK$4.9 million) was held under finance lease. As at 31 March 2013, the Group pledged its machinery and motor vehicles with net book values of approximately HK$0.3 million (31 March 2012: approximately HK$1.2 million) and approximately HK$3.6 million (31 March 2012: approximately HK$6.3 million) respectively as securities for its performance of obligations as a sub-contractor of the Replacement and Rehabilitation of water mains, Stage 4, Phrase 1— Mains in Tuen Mun, Yuen Long, North District and Tai Po.

CONTINGENT LIABILITIES

As at 31 March 2013, the Group did not have any material contingent liabilities (31 March 2012: Nil).

INFORMATION ON EMPLOYEES

As at 31 March 2013, the Group had 242 full-time staff in Hong Kong and over 90% of them are direct labour. Total staff costs (including Directors' remuneration) for the year ended 31 March 2013 amounted to approximately HK$62.0 million (2012: approximately HK$55.8 million), representing an increase of approximately 11.1% 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.

SIGNIFICANT INVESTMENT HELD

As at 31 March 2013, the Group held a 17% equity interest in the issued share capital of China New Media as a long term investment.

Except for investment in subsidiaries and the investment as disclosed above, during the year ended 31 March 2013 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

During the year ended 31 March 2013, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

Biographical Details of Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Wu Jin Cai (吳錦才), aged 50, is the chairman of the Board and is responsible for the overall business planning and corporate strategy of the Group. Mr. Wu is a 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 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.

Dr. Lee Yuk Lun (李鋈麟博士), aged 50, is the vice chairman of the Board and is responsible for business development of the Group. Dr. Lee has been engaged in the finance industry for over 16 years and, in particular, in the area of mergers and acquisitions. He also possesses over 12 years of experience in project investments in the PRC. Dr. Lee is a Committee member of the Chinese People's Political Consultative Conference (CPPCC) Beijing Committee (中國人民政治協商會議北京市委員會政協委員), a member of the Committee of Shunyi District, CPPCC Beijing Committee (中國人民政治協商會議北京市順義區委員會委員), a director of Beijing Chinese Overseas Friendship Association (北京海外聯誼會理事), a director of Tung Wah Group of Hospitals (東華三院) from 2009, a part time member of the Central Policy Unit of the Government, the founding chairman of Wanchai and Central & Western District Industries & Commerce Association and the founding chairman of Dr. Lee Yuk Lun Charitable Foundation. Dr. Lee joined Rising Development Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1004) as deputy chairman and executive director since 31 August 2007 and is currently the chairman and chief executive officer of Rising Development Holdings Limited. Save as disclosed above, Dr. Lee did not hold any directorships in any other listed public companies in the last three years. Dr. Lee has entered into a service contract with the Company for an initial term of three years commencing from 22 June 2012, 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 44, 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 (上海証券報) 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.

Mr. Kan Kwok Cheung (簡國祥), aged 48, 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. Chia Thien Loong, Eric John (謝天龍), aged 43, is the vice president and 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 in May 2009. Mr. Chia graduated with a degree of Bachelor of Science in accounting and finance from Purdue University, Indiana, the United States of America ("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.

Non-Executive Directors

Mr. Li Yong Sheng (李永升), aged 42, has been appointed by the Company as the non-executive Director on 4 February 2013. Mr. Li is a reporter superior (主任記者) of Xinhua News Agency and has been working in Xinhua News Agency since his graduation from Wuhan University with a degree of Bachelor of Economics and Management in 1992. Mr. Li obtained a Doctorate of philosophy in Economics from Wuhan University of Technology in 2010. Mr. Li has held the positions of reporter and editor in financial and economical businesses. Mr. Li has served as the associate director of the service line of Xinhua News Agency (新華社服務專線副總監) since 2003 and the editor of Xinhua News Agency Audio and Video News Desk and the officer of the Financial Television Centre (財經電視中心主任) since 2009. In the last three years, Mr. Li did not hold any directorships in any listed public companies.

Ms. Liang Hui (梁慧), aged 45, 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 (計財局資金管理處副處長) 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 32, holds a degree of Bachelor of 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 each of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Chan is an independent non-executive director of China Household Holdings Limited (formerly known as 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 2013.

Mr. Chu Siu Lun, Ivan (朱兆麟), aged 31, graduated from Bolton Institute of Higher Education (now the University of Bolton) with a degree of 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 2013.

Mr. Hau Chi Kit (侯志傑), aged 41, graduated from University of Oregon, USA, with a degree of 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. In last three years, Mr. Hau did not hold any directorships in any other 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 2013.

Mr. Jin Hai Tao (靳海濤), aged 59, has been appointed by the Company as independent non-executive Director on 22 June 2012. Mr. Jin has over 30 years' experience in enterprise management, investment, financing and capital market operations. He joined Shenzhen Capital Group Co., Ltd (深圳市創新投資集團有限公司) in 2004 as chairman. Currently, he is a director of Rizhao Port Co., Ltd (日照港股份有限公司) (a company listed in the Shanghai Stock Exchange, stock code: 600017), Guangzhou Pearl River Industrial Development Holdings Co., Ltd (廣州珠江實業開發股份有限公司) (a company listed in the Shanghai Stock Exchange, stock code: 600684) and Shenzhen Terca Technology Co., Ltd (深圳市特爾佳科技股份有限公司) (a company listed in the Shenzhen Stock Exchange, stock code: 002213). Between 1993 and 2000, Mr. Jin was a deputy general manager of Shenzhen Electronic Group Co., Ltd (深圳賽格集團有限公司) and vice president and general manager of Shenzhen SEG Co., Ltd (深圳賽格股份有限公司) (a company listed in the Shenzhen Stock Exchange, stock code: 200058). In addition, Mr. Jin is the vice chairman of Shenzhen Chamber of Investment (SZCI) (深圳市投資商會常務副會長), executive vice president of Shenzhen Finance Consultant Association (深圳市金融顧問協會執行副會長) and honorary chairman of Wenzhou Association for Investment in Enterprises (溫州市投資協會名譽會長). He is on the professional expert board of the Science, Technology & Economic Expert Committee of the Ministry of Science and Technology (國家科技部科技經濟專家委員會專家). He has a Master degree in management from Huazhong University of Science and Technology (華中理工大學工學(管理學)碩士). Save as disclosed above, Mr. Jin 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 2013.

SENIOR MANAGEMENT

Contracts Manager

Mr. Leung Hon Chung (梁漢忠), aged 55, 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 30, has been working in 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 45, 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 2013.

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 2013.

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 2013.

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 five executive Directors, two non-executive Directors and four 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)*
Dr. Lee Yuk Lun *(Vice Chairman) (appointed on 22 June 2012)*
Mr. Zou Chen Dong *(Chief Executive Officer)*
Mr. Kan Kwok Cheung
Mr. Chia Thien Loong, Eric John
Mr. Cheng Ka Ming, Martin *(resigned on 22 June 2012)*
Mr. Hui Chi Kwong *(resigned on 22 June 2012)*
Ms. Wu Xu Hong *(resigned on 5 February 2013)*

Non-Executive Directors

Mr. Li Yong Sheng *(appointed on 4 February 2013)*
Ms. Liang Hui

Independent Non-Executive Directors

Mr. Chan Hon Yuen
Mr. Chu Siu Lun, Ivan
Mr. Hau Chi Kit
Mr. Jin Hai Tao *(appointed on 22 June 2012)*

Biographical details of the Directors are set out in the "Biographical Details of Directors and Senior Management" section on pages 22 to 25 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 2013, the Board had convened total 10 meetings, four of which are in regular nature. The attendance record of individual Directors at the Board and committees' meetings are set out in page 31 of this report.

Directors' Training and Professional Development

Every Director keeps abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company. The Company provides all members of the Board with monthly updates on the Group's performance and financial position.

The Directors are aware of the requirement under the code provision A.6.5 of the Code regarding continuous professional development. During the year, the Company had arranged a training session to certain Directors which was conducted by an external professional firm. In addition, Directors also reviewed the monthly business and financial updates and other reading materials provided to them concerning latest developments in corporate governance practices and relevant legal and regulatory developments. A record of the Directors' participation in various continuous professional development program is kept by the company secretary.

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.

The chairman of the Board is Mr. Wu Jin Cai who is responsible for strategic and business directions to the Board and ensures its effectiveness in all aspects.

The chief executive officer of the Company is Mr. Zou Chen Dong, who 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 and Mr. Chia Thien Loong, Eric John, their service term commenced on 11 August 2010; in the case of Mr. Wu Jin Cai and Mr. Zou Chen Dong, their service term commenced on 9 December 2011; and in the case of Dr. Lee Yuk Lun, his service term commenced on 22 June 2012.

Each of the 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 Ms. Liang Hui, her appointment term commenced on 9 December 2011 and in the case of Mr. Li Yong Sheng, his appointment term commenced on 4 February 2013.

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; in the case of Mr. Chan Hon Yuen, his appointment term commenced on 25 July 2011; and in the case of Mr. Jin Hai Tao, his appointment term commenced on 22 June 2012.

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)*
Mr. Chu Siu Lun, Ivan
Mr. Hau Chi Kit
Mr. Jin Hai Tao *(appointed on 22 June 2012)*

Non-executive Directors

Mr. Li Yong Sheng *(appointed on 4 February 2013)*
Ms. Liang Hui

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 2012, the interim results for the six months ended 30 September 2012, the third quarterly results for the nine months ended 31 December 2012 and the annual results for the year ended 31 March 2013 and is of the opinion that the preparation of such results complied with the applicable accounting standards and that adequate disclosures have been made.

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 Director

Mr. Wu Jin Cai *(Chairman)*

Non-executive Director

Ms. Liang Hui

Independent non-executive Directors

Mr. Chan Hon Yuen
Mr. Chu Siu Lun, Ivan
Mr. Hau Chi Kit
Mr. Jin Hai Tao *(appointed on 22 June 2012)*

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 2013, the Nomination Committee had convened two meetings to consider the appointment of Dr. Lee Yuk Lun as an executive Director, Mr. Li Yong Sheng as a non-executive Director and Mr. Jin Hai Tao as an independent 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:

Independent non-executive Directors

Mr. Jin Hai Tao *(Chairman) (appointed on 22 June 2012)*
Mr. Chu Siu Lun, Ivan
Mr. Hau Chi Kit *(resigned as Chairman on 22 June 2012)*

Non-executive Director

Ms. Liang Hui

During the year ended 31 March 2013, the Remuneration Committee had convened four meetings to consider the revision of Directors' remuneration.

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 2013 are set out below:

	Board	Audit Committee	Nomination Committee	Remuneration Committee
Number of meetings	10	4	2	4
Executive Directors				
Wu Jin Cai	5/5	—	1/1	—
Lee Yuk Lun *(appointed on 22 June 2012)*	4/4	—	—	—
Zou Chen Dong	10/10	—	—	—
Kan Kwok Cheung	10/10	—	—	—
Chia Thien Loong, Eric John	10/10	—	—	—
Cheng Ka Ming, Martin *(resigned on 22 June 2012)*	4/5	—	—	—
Hui Chi Kwong *(resigned on 22 June 2012)*	5/5	—	—	—
Wu Xu Hong *(resigned on 5 February 2013)*	8/9	—	—	—
Non-executive Directors				
Li Yong Sheng *(appointed on 4 February 2013)*	1/1	—	—	—
Liang Hui	8/10	4/4	1/2	3/4
Independent non-executive Directors				
Chan Hon Yuen	9/10	4/4	2/2	—
Chu Siu Lun, Ivan	10/10	4/4	2/2	4/4
Hau Chi Kit	9/10	3/4	2/2	4/4
Jin Hai Tao *(appointed on 22 June 2012)*	4/4	3/3	1/1	3/3
Average attendance rate	95%	95%	92%	94%

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 its reporting responsibilities on the Financial Statements is set out in "Independent Auditors' Report" section on pages 46 and 47 of this report.

AUDITORS' REMUNERATION

The remuneration in respect of audit services provided by the Company's auditors during the year ended 31 March 2013 amounted to HK$0.6 million.

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 2013, the Company has reviewed the effectiveness of the Group's internal control system.

COMPANY SECRETARY

The company secretary took more than 15 hours' professional training for the year ended 31 March 2013. Reporting to the Chief Executive Officer, the company secretary plays an important role in ensuring proper Board procedures are tailored to the Company's business needs and compliance with all applicable laws, rule and regulations. The Directors could obtain advices and services from the company secretary for any updates and developments in corporate governance, applicable laws and regulations when necessary.

The company secretary is responsible for preparing the meeting agenda, serving notice to the Board at least 14 days before the regular meetings or at a reasonable time for other ad-hoc meetings, and providing relevant Board papers to Directors at least 3 days before the meetings, so as to ensure that the Directors receive adequate, accurate, clear, complete and reliable information in a timely manner for effective and informed decision making.

The company secretary also ensures that the Board meetings are convened and constituted in accordance with all applicable laws, regulations and the procedural requirements set out in the articles of association at all times. In addition, the company secretary will take minutes of the meetings and circulate them to Directors for comments at a reasonable time after the meetings. After incorporating Directors' comments, the executed version of the minutes will be maintained by the company secretary and be open for Directors' inspection during normal office hours.

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 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 2013. Information on our website will be updated on a regular basis.

Directors' Report

The Directors present this annual report together with the Financial Statements for the year ended 31 March 2013.

PRINCIPAL ACTIVITIES

The Company is an investment holdings company and is engaged in provision of management services and television broadcasting business 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). During this year, the Group has commenced its outdoor mass media advertising business.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 March 2013 are set out in the consolidated statement of comprehensive income on page 48 of this report.

The Board does not recommend the payment of a final dividend for the year ended 31 March 2013.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 24 July 2013 to Friday, 26 July 2013, 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, 23 July 2013.

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 35 to the Financial Statements.

RESERVE

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 52 of this report and note 36 to the Financial Statements.

DONATIONS

During the year ended 31 March 2013, the Group made the charitable donations amounting to approximately HK$0.2 million.

DISTRIBUTABLE RESERVES

As at 31 March 2013, 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$52.4 million in deficit.

CONVERTIBLE NOTES

Details of the Convertible Notes of the Company are set out in note 33 to the Financial Statements.

BANK LOANS AND OTHER BORROWINGS

Details of the Group's bank loans and other borrowings are set out in note 30 and 32 to the Financial Statements.

INTEREST CAPITALISED

No interest was capitalised by the Group during the year ended 31 March 2013.

FINANCIAL SUMMARY

A summary of the Group's results and financial position for the last five financial years is set out on page 130 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 2013 is as follows:

Revenue	
The largest customer	52.7%
Five largest customers in aggregate	97.9%
Subcontracting costs	
The largest subcontractor	61.3%
Five largest subcontractors in aggregate	97.6%
Purchases of raw materials *(Notes)*	
The largest supplier	16.6%
Five largest suppliers in aggregate	70.4%

During the year, none of the Directors, their associates or any Shareholders (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 2013 are set out in note 27 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)*
Dr. Lee Yuk Lun *(Vice Chairman) (appointed on 22 June 2012)*
Mr. Zou Chen Dong *(Chief Executive Officer)*
Mr. Kan Kwok Cheung
Mr. Chia Thien Loong, Eric John
Mr. Cheng Ka Ming, Martin *(resigned on 22 June 2012)*
Mr. Hui Chi Kwong *(resigned on 22 June 2012)*
Ms. Wu Xu Hong *(resigned on 5 February 2013)*

Non-Executive Directors

Mr. Li Yong Sheng *(appointed on 4 February 2013)*
Ms. Liang Hui

Independent Non-Executive Directors

Mr. Chan Hon Yuen
Mr. Chu Siu Lun, Ivan
Mr. Hau Chi Kit
Mr. Jin Hai Tao *(appointed on 22 June 2012)*

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 and Mr. Chia Thien Loong, Eric John, their service term commenced on 11 August 2010; in the case of Mr. Wu Jin Cai and Mr. Zou Chen Dong, their service term commenced on 9 December 2011; and in the case of Dr. Lee Yuk Lun, his service term commenced on 22 June 2012.

Each of the 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 Ms. Liang Hui, her appointment term commenced on 9 December 2011 and in the case of Mr. Li Yong Sheng, his appointment term commenced on 4 February 2013.

Each of the independent non-executive Directors were 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; in the case of Mr. Chan Hon Yuen, his appointment term commenced on 25 July 2011; and in the case of Mr. Jin Hai Tao, his appointment term commenced on 22 June 2012.

None of the Directors has a service contract with any member of the Group which is not terminable 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 22 to 25 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. No share options have been granted pursuant to the Share Option Scheme during the year.

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 2013, 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**	**Number of underlying Shares under Convertible Notes** *(Note d)*	**Total interests**	**Percentage of aggregate interests to total issued share capital**
Dr. Lee *(Note a)*	Interest in controlled corporation	—	892,857,143	892,857,143	53.31%
Mr. Kan *(Note b)*	Interest in controlled corporation	321,640,000	—	321,640,000	19.21%
Mr. Chia *(Note c)*	Interest in controlled corporation	46,710,000	—	46,710,000	2.79%

Notes:

(a) Dr. Lee is the sole beneficial owner of Proud Glory, which was interested in 892,857,143 underlying Shares. Under the SFO, Dr. Lee is deemed to be interested in all the Shares held by Proud Glory.

(b) Mr. Kan is the sole beneficial owner of Shunleetat, which was interested in 321,640,000 Shares. Under the SFO, Mr. Kan is deemed to be interested in all the Shares held by Shunleetat.

(c) Mr. Chia is the sole beneficial owner of Lotawater, which was interested in 46,710,000 Shares. Under the SFO, Mr. Chia is deemed to be interested in all the Shares held by Lotawater.

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

Saved as disclosed above, as at 31 March 2013, 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 2013, 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 total issued share capital**
China Xinhua NNC	474,335,664 *(Note b)*	—	—	2,025,664,336 *(Note b)*	—	2,500,000,000	149.28%
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	149.28%
Proud Glory	—	—	—	892,857,143 *(Note c)*	—	892,857,143	53.31%
Ms. Lam Shun Kiu, Rosita	—	—	321,640,000 *(Note d)*	—	—	321,640,000	19.21%
Shunleetat	321,640,000 *(Note d)*	—	—	—	—	321,640,000	19.21%
APT Satellite	—	—	—	178,571,429 *(Note e)*	—	178,571,429	10.66%
APT Satellite Holdings Limited	—	—	—	—	178,571,429 *(Note e)*	178,571,429	10.66%
APT Satellite International Company Limited	—	—	—	—	178,571,429 *(Note e)*	178,571,429	10.66%
中國航天科技集團公司	—	—	—	—	178,571,429 *(Note e)*	178,571,429	10.66%
中國衛星通信集團有限公司	—	—	—	—	178,571,429 *(Note e)*	178,571,429	10.66%

Notes:

(a) Details of the Convertible Notes were 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 474,335,664 Shares and 2,025,664,336 underlying Shares held by China Xinhua NNC under the SFO.

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

(d) Shunleetat is wholly and beneficially owned by Mr. Kan. Accordingly, Mr. Kan is deemed to be interested in the 321,640,000 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 321,640,000 Shares held by Shunleetat 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.

Saved as disclosed above, as at 31 March 2013, 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 2013.

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 2013.

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 2013 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 2013, 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 following continuing connected transactions:

Lease Agreement

A lease agreement (the "Lease Agreement") has been entered into between the Company (as tenant) and Hong Kong Listco Limited ("HKLC") (as landlord) in relation to the office premises situated at 7/F. (except room No. 2), Anton Building, 1 Anton Street, Wanchai, Hong Kong at a monthly rent of HK$15,000. The 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.

The Lease Agreement was terminated under the mutual agreement of the tenant and landlord with effect from 1 September 2012. It was confirmed by both parties that no claims whatsoever against each other for fees, causes of action and liabilities of whatever nature will arise as a result of the termination. During the year ended 31 March 2013, total rent payable under the Lease Agreement amounted to HK$75,000.

Announcement Posting Agreement

On 15 May 2012 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 2012 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 CNC Channels on television channels in the Asia-Pacific region (excluding the PRC) to the Group for an 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 the Xinhua TV Asia-Pacific on 9 December 2011, Xinhua TV Asia-Pacific became a wholly-owned subsidiary of the Company and China Xinhua NNC became a substantial Shareholder, and is therefore a connected person of the Company within the meaning of the GEM Listing Rules. As a result, the transactions contemplated under the Television Broadcasting Right Agreement constitute continuing connected transactions for the Company pursuant to Chapter 20 of the GEM Listing Rules.

Advertisement Broadcasting Contract

On 23 May 2011, 中國新華新聞電視網有限公司 ("CNC China") and AVIC Culture Co., Ltd. (中航文化股份有限公司) ("AVIC Culture") entered into an advertisement operation cooperation contract (the "Advertisement Operation Cooperation Contract"), pursuant to which CNC China granted the exclusive right to AVIC Culture for the promotion and operation of 58% of the advertising resources of the CNC Channel (the "Partial Advertisement Operation Right") for the period from 25 May 2011 to 25 August 2016. As consideration, CNC China is entitled to a guaranteed fixed fee of Renminbi ("RMB") 90 million plus 40% of the part of advertising revenue derived from the Partial Advertisement Operation Right in excess of RMB90 million during the term of the Advertisement Operation Cooperation Contract (the "Payment under the Partial Advertisement Operation Right").

On 24 August 2012, CNC China and China Xinhua NNC entered into the an agreement (the "CNC Agreement"), pursuant to which CNC China will pay any amount that CNC China receives from AVIC Culture as the Payment under the Partial Advertisement Operation Right (on an after-tax basis and after deducting any reasonable fees) to China Xinhua NNC to reflect the fact that the commercial advertisements operated by AVIC Culture under the Partial Advertisement Operation Right will eventually be broadcasted through the television broadcasting network developed and maintained by China Xinhua NNC.

To support the operation of the Company, on 24 August 2012, China Xinhua NNC entered into an advertisement broadcasting contract (the "Advertisement Broadcasting Contract") with Xinhua TV Asia-Pacific in respect of the advertising airtime allocated to China Xinhua NNC exclusively for the commercial advertisements operated by AVIC Culture. Pursuant to the Advertisement Broadcasting Contract, China Xinhua NNC has agreed to pay Xinhua TV Asia-Pacific, in cash, 50% of any amount that CNC China received as the Payment under the Partial Advertisement Operation Right (on an after-tax basis and after deducting any reasonable fees).

Since China Xinhua NNC is a substantial Shareholder and therefore a connected person of the Company within the meaning of the GEM Listing Rules, the transactions contemplated under the Advertisement Broadcasting Contract constitute continuing connected transactions for the Company pursuant to Chapter 20 of the GEM Listing Rules.

GEM Listing Rules Implications

Pursuant to Rule 20.41 of the GEM Listing Rules, the transactions contemplated under the Television Broadcasting Right Agreement are subject to the applicable reporting, annual review and disclosure requirements under Chapter 20 of the GEM Listing Rules. The Company will comply with the applicable reporting, disclosure and independent shareholders' approval requirements, as the case may be, under Chapter 20 of the GEM Listing Rules upon any variation or renewal of the Television Broadcasting Right Agreement. The transactions contemplated under the Television Broadcasting Right Agreement have been reviewed by the independent non-executive Directors. The independent non-executive Directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Also pursuant to Rule 20.41 of the GEM Listing Rules, the transactions contemplated under the Advertisement Broadcasting Contract are subject to the applicable reporting, announcement and annual review requirements but exempt from independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules because the highest applicable percentage ratio of the caps, calculated on an annual basis, is more than 0.1% but less than 5%. The Company will comply with the applicable reporting, disclosure and independent shareholders' approval requirements, as the case may be, under Chapter 20 of the GEM Listing Rules upon any variation or renewal of the Advertisement Broadcasting Contract. The transactions contemplated under the Advertisement Broadcasting Contract Agreement have been reviewed by the independent non-executive Directors. The independent non-executive Directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and (d) had been determined to be HK$5.6 million which, did not exceed the annual cap of RMB5.0 million (equivalent to approximately HK$6.3 million) for the year ended 31 March 2013 as approved by the Stock Exchange.

As the annual rental payable under the Lease Agreement and the annual service fee payable under the Announcement Posting Agreements referred to above are both less than HK$1.0 million and none of the percentage ratios, on an annual basis, equals or exceeds 5%, and that the 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 connected transaction with the Group during the year ended 31 March 2013.

CORPORATE GOVERNANCE

Details of the Group's corporate governance practices are set out in the "Corporate Governance Report" section on pages 26 to 33 of this report.

EVENTS AFTER THE REPORTING PERIOD

No significant event has taken place subsequent to 31 March 2013 and up to the date of this report.

AUDITORS

The Financial Statements for the year ended 31 March 2013 have been audited by HLB Hodgson Impey Cheng Limited which will retire and, being eligible, offer itself for re-appointment at the forthcoming AGM. A resolution to re-appoint HLB Hodgson Impey Cheng Limited and to authorise the Directors to fix its remuneration will be proposed at the forthcoming AGM.

HLB Hodgson Impey Cheng has been auditors of the Company since financial year ended 31 March 2012. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganised as HLB Hodgson Impey Cheng Limited. Accordingly, HLB Hodgson Impey Cheng retired as the auditors of the Company on 7 September 2012 and HLB Hodgson Impey Cheng Limited was appointed as the auditors of the Company on that date. BDO Limited had been auditor of the Company for the financial year ended 31 March 2011. There have been no other changes of auditor in the preceding three years.

On behalf of the Board

Wu Jin Cai
Chairman

Hong Kong, 31 May 2013

Independent Auditors' Report

國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

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

TO THE SHAREHOLDERS OF CNC HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of CNC Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 48 to 129, which comprise the consolidated and Company statements of financial position as at 31 March 2013, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the 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 2013 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hon Koon Fai, Alex
Practising Certificate Number: P05029

Hong Kong, 31 May 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2013

	Notes	**2013 HK$'000**	2012 HK$'000
Revenue	*6*	**291,822**	218,961
Cost of services		**(248,252)**	(197,190)
Gross profit		**43,570**	21,771
Other income and gains	*6*	**29,317**	217
Amortisation expenses		**(60,474)**	(17,694)
Selling and distribution expenses		**(423)**	—
Administrative expenses		**(27,615)**	(32,735)
Loss from operations	*8*	**(15,625)**	(28,441)
Finance costs	*10*	**(41,425)**	(13,852)
Share of profit of jointly controlled entities	*22*	**1,012**	—
Impairment loss recognised in respect of goodwill	*17*	**—**	(665,683)
Impairment loss recognised in respect of available-for-sale financial assets	*21*	**(66,741)**	—
Loss before income tax		**(122,779)**	(707,976)
Income tax	*12*	**6,590**	3,079
Loss for the year and total comprehensive loss attributable to owners of the Company		**(116,189)**	(704,897)
Loss per share attributable to owners of the Company			
— Basic and diluted (HK cents)	*15*	**(6.94)**	(55.16)

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

Consolidated Statement of Financial Position

At 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	*16*	**32,205**	20,648
Goodwill	*17*	**151,194**	151,194
Intangible assets	*19*	**490,581**	549,306
Available-for-sale financial assets	*21*	**400**	67,141
Jointly controlled entities	*22*	**1,012**	—
		675,392	788,289
Current assets			
Inventories	*23*	**22,251**	22,286
Trade and other receivables	*24*	**43,709**	56,773
Pledged bank deposits	*26*	**—**	2,005
Tax recoverable		**312**	1,134
Cash and cash equivalents	*26*	**33,266**	10,011
		99,538	92,209
Total assets		**774,930**	880,498
Current liabilities			
Trade and other payables	*28*	**75,782**	77,616
Finance lease payables	*29*	**2,751**	1,676
Borrowings	*30*	**—**	3,208
Employee benefits	*31*	**2,351**	1,951
Current tax liabilities		**3,198**	—
		84,082	84,451
Net current assets		**15,456**	7,758
Total assets less current liabilities		**690,848**	796,047

	Notes	2013 HK$'000	2012 HK$'000
Non-current liabilities			
Other payables	28	**2,217**	866
Finance lease payables	29	**3,339**	2,530
Promissory note	32	**43,440**	42,336
Convertible notes	33	**592,787**	584,365
Deferred tax liabilities	34	**85,168**	95,457
		726,951	725,554
Total liabilities		**811,033**	810,005
Net (liabilities)/assets		**(36,103)**	70,493
Capital and reserves			
Share capital	35	**1,674**	1,664
Reserves		**(37,777)**	68,829
Total equity		**(36,103)**	70,493

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 31 May 2013 and are signed on its behalf by:

Wu Jin Cai
Director

Zou Chen Dong
Director

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

Statement of Financial Position

At 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	16	**6,945**	—
Investments in subsidiaries	27	**38,681**	23,682
		45,626	23,682
Current assets			
Deposits, other receivables and prepayments	24	**5,162**	509
Amounts due from subsidiaries	27	**519,632**	641,144
Pledged bank deposits	26	**—**	2,005
Cash and cash equivalents	26	**7,055**	360
		531,849	644,018
Total assets		**577,475**	667,700
Current liabilities			
Accrued expenses and other payables	28	**14,717**	15,225
Amount due to a subsidiary	27	**18,961**	—
		33,678	15,225
Net current assets		**498,171**	628,793
Total assets less current liabilities		**543,797**	652,475
Non-current liabilities			
Convertible notes	33	**592,787**	584,365
Deferred tax liabilities	34	**1,692**	3,025
		594,479	587,390
Total liabilities		**628,157**	602,615
Net (liabilities)/assets		**(50,682)**	65,085
Capital and reserves			
Share capital	35	**1,674**	1,664
Reserves	36	**(52,356)**	63,421
Total equity		**(50,682)**	65,085

The financial statements were approved and authorised for issue by the Board of Directors on 31 May 2013 and are signed on its behalf by:

Wu Jin Cai
Director

Zou Chen Dong
Director

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

Consolidated Statement of Changes in Equity

For the year ended 31 March 2013

	Share capital HK$'000 (note 35)	Share premium* HK$'000 (note 36)	Convertible notes equity reserves* HK$'000 (note 33)	Share option reserves* HK$'000 (note 36)	Other reserves* HK$'000 (note 36)	Retained earnings/ (accumulated losses)* HK$'000 (note 36)	Total equity HK$'000
At 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 the 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 option reserves upon cancellation of equity-settled share options arrangement	—	—	—	(6,027)	—	6,027	—
At 31 March 2012 and 1 April 2012	1,664	725,506	17,381	—	9,868	(683,926)	70,493
Loss and total comprehensive loss for the year	—	—	—	—	—	(116,189)	(116,189)
Issue of shares pursuant to the placing	10	9,990	—	—	—	—	10,000
Share placement expenses	—	(407)	—	—	—	—	(407)
At 31 March 2013	**1,674**	**735,089**	**17,381**	**—**	**9,868**	**(800,115)**	**(36,103)**

* *The aggregate amount of these balances of approximately HK$37,777,000 in deficit (2012: approximately HK$68,829,000 in surplus) is included as reserves in the consolidated statement of financial position.*

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

Consolidated Statement of Cash Flows

For the year ended 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
Cash flows from operating activities			
Loss before income tax		**(122,779)**	(707,976)
Adjustments for:			
Amortisation expenses		**60,474**	17,694
Depreciation of property, plant and equipment	*8*	**10,591**	7,089
Net gains on disposal of property, plant and equipment	*6*	**(394)**	—
Loss on disposal of property, plant and equipment	*8*	**—**	49
Share-based payment expenses	*8*	**—**	6,027
Impairment loss recognised in respect of goodwill	*17*	**—**	665,683
Impairment loss recognised in respect of available-for-sale financial assets	*21*	**66,741**	—
Finance costs	*10*	**41,425**	13,852
Share of profit of jointly controlled entities	*22*	**(1,012)**	—
Waiver of the interests on convertible notes	*6*	**(28,602)**	—
Interest income	*6*	**(33)**	(8)
Exchange gain, net	*6*	**(94)**	—
Operating cash flows before movements in working capital		**26,317**	2,410
Decrease/(increase) in inventories		**35**	(6,106)
Decrease/(increase) in trade and other receivables		**13,064**	(28,427)
(Decrease)/increase in trade and other payables		**(3,583)**	34,501
Increase in employee benefits		**400**	1,054
Cash generated from operations		**36,233**	3,432
Income tax refunded/(paid)		**321**	(1,110)
Net cash generated from operating activities		**36,554**	2,322
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		**—**	(4,722)
Proceeds from disposal of property, plant and equipment		**820**	7
Purchase of property, plant and equipment		**(18,770)**	(10,399)
Additions of film rights		**(1,749)**	—
Interest received		**33**	8
Net cash used in investing activities		**(19,666)**	(40,587)

	Notes	**2013** **HK$'000**	2012 HK$'000
Cash flows from financing activities			
Proceeds from placing of ordinary shares		**10,000**	34,323
Expenses paid in connection with the placing of new shares		**(407)**	(1,003)
Decrease/(increase) in pledged bank deposits		**2,005**	(5)
Proceeds from borrowings		**—**	18,352
Repayment of borrowings		**(3,208)**	(17,877)
Finance lease charges paid		**(187)**	(162)
Repayment of finance lease payables		**(1,920)**	(1,469)
Interest paid		**(10)**	(116)
Net cash generated from financing activities		**6,273**	32,043
Net increase/(decrease) in cash and cash equivalents		**23,161**	(6,222)
Cash and cash equivalents at the beginning of the year		**10,011**	16,233
Effects of exchange rate changes on the balance of cash and bank held in foreign currencies		**94**	—
Cash and cash equivalents at the end of the year		**33,266**	10,011

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

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 holding, provision of management services and television broadcasting business. 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 and 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. During the current year, the Group commenced its outdoor mass media advertising business.

At 31 March 2013, the major shareholder of the Company is China Xinhua News Network Co., Limited ("China Xinhua NNC") , a company incorporated in Hong Kong.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has adopted all the new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by Hong Kong Institute of Certified Public Accountants (the"HKICPA") that are relevant to its operations and effective for annual periods on or after 1 April 2012.

HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets
HKFRS 1 (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments)	Financial Instruments: Disclosures — Transfer of Financial Assets

The Directors anticipate that the application of these new and revised HKFRSs has no material impact on the results and the financial position of the Group.

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:

Amendments to HKFRSs	Annual Improvements 2009–2011 Cycle[2]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities — Transition Guidance[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities[3]
HKAS 1 (Amendments)	Presentation of items in Other Comprehensive Income[1]
HKAS 19 (2011)	Employee Benefits[2]
HKAS 27 (2011)	Separate Financial Statements[2]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[3]
HK(IFRIC) - Int 20	Stripping Costs in Production Phase of Surface Mine[2]
HKFRS 1 (Amendments)	Government Loan[2]
HKFRS 7 (Amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosure[4]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosures of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]

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

HKFRS 9 Financial Instruments

HKFRS 9 (as issued in 2009) introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at 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 reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

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

HKFRS 9 Financial Instruments (Continued)

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that 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 recognition 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 of financial liabilities attributable to changes in the financial liabilities' 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 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 the adoption of HKFRS 9 in the future may have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. HK (SIC)-Int 12 Consolidation — Special Purpose Entities will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC)-Int 13 Jointly Controlled Entities — Non-monetary Contributions by Venturers will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

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

New and revised standards on consolidation, joint arrangements, associates and disclosures (Continued)

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided all of these standards are applied at the same time.

The Directors anticipate that the application of these five standards will have no impact on the Group's consolidated financial statements.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective on annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors anticipate that the application of the new standard may affect certain amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKFRS 7 and HKAS 32 Offsetting Financial Assets and Financial Liabilities and the related disclosures

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The Directors anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

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

HKAS 19 Employee Benefits

The amendments to HKAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the "corridor approach" permitted under the previous version of HKAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of HKAS 19 are replaced with a "net-interest" amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

The amendments to HKAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application. The Directors anticipate that the application of this revised standard will have no impact on the Group's financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Annual Improvements to HKFRS 2009–2011 Cycle issued in June 2012

The Annual Improvements to HKFRSs 2009–2011 Cycle include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include:

- Amendments to HKAS 1 Presentation of Financial Statements;
- Amendments to HKAS 16 Property, Plant and Equipment; and
- Amendments to HKAS 32 Financial Instruments: Presentation

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

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

Annual Improvements to HKFRS 2009–2011 Cycle issued in June 2012 (Continued)

HKAS 1 (Amendments)

The amendments to HKAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

HKAS 16 (Amendments)

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The Directors do not anticipate that the amendments to HKAS 16 will have a significant effect on the Group's consolidated financial statements.

HKAS 32 (Amendments)

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. The Directors anticipate that the amendments to HKAS 32 will have no effect on the Group's consolidated financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "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 Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules").

(b) 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.

(c) Functional and presentation currency

The financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company. All values are rounded to the nearest thousand dollars (HK$'000) except otherwise indicated.

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 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) Jointly controlled entities

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

Investments in jointly controlled entities are accounted for by the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee.

The Group's share of its jointly controlled entities' profits or losses is recognised in the statement of comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent 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 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%

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) 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 liability to the lessor is 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. 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.

(h) 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.

(i) Film rights

Film rights are stated at cost less accumulated depreciation and any impairment losses. Cost comprises direct production expenditures and an appropriate portion of production overheads. The cost of film rights is expensed in the consolidated statement of comprehensive income in accordance with a formula computed to write off the cost over the broadcast period.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) 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.

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 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).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

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 affected.

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

Impairment of financial assets (Continued)

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.

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 in other comprehensive income and accumulated directly in equity. For available-for-sale debt investments, impairment losses are subsequently reversed 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

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified 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 and borrowings are subsequently measured at amortised cost using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

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.

Promissory note

Promissory note is recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Convertible notes

The component parts of compound instruments (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 note, the balance recognised in equity will be transferred to retained profits/(accumulated losses). 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

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.

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)

(k) 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, contract 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 works. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract works. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received from customers 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.

(l) Inventories

Inventories are initially recognised at cost, and subsequently 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)

(m) 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 on the percentage of completion by reference to the proportion of actual costs incurred up to the 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.

(n) Income taxes

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

Current 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

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.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Income taxes (Continued)

Deferred tax (Continued)

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 for the year

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.

(o) 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. Non-accumulating 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. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) 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). 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.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 other than goodwill 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.

(q) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) 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.

(s) 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.

(t) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) 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.

(v) 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.

(w) Current assets and liabilities

Current assets are expected to be realised within twelve months of the reporting date or in the normal course of the operating cycle. Current liabilities are expected to be settled within twelve months of the reporting date or in the normal course of the operating cycle.

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(k), the Group uses the percentage of completion method to determine the appropriate revenues to be recognised in a given period. If the construction contract works are not certified, 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 followings 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 of 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 judgement. A considerable amount of judgement 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 2013, the carrying amount of goodwill was approximately HK$151,194,000 (2012: HK$151,194,000). Details of the impairment loss calculation are set out 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(j) and 4(p) 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) Useful lives of film rights

The Group determines the estimated useful life in accordance to the broadcast period of individual film rights and amortisation for film rights is charged in accordance to the broadcast period of individual film rights. The estimate is based on forecasted customer attraction pattern with reference to similar market information. Management will revise the amortisation charge where the useful life is different to the one previously estimated.

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

Key sources of estimation uncertainty (Continued)

(viii) Valuation of inventories

Inventories are stated at the lower of cost and net realisable value at the end of the reporting period. Net realisable value is determined on the basis of the estimated selling price less the estimated costs necessary to make the sale. The Directors estimate the net realisable value for construction materials based primarily on the latest invoice prices and current market conditions. In addition, the Directors perform an inventory review on a product-by-product basis at the end of each reporting period and assess the need for write down of inventories.

(ix) Income taxes and deferred taxation

The Group is subject to income taxes in numerous jurisdictions. Significant judgement 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 INCOME AND GAINS

Revenue and other income and gains recognised during the years ended 31 March 2013 and 2012 were as follows:

	2013 **HK$'000**	2012 HK$'000
Revenue		
Construction works	**280,031**	218,961
Advertising income	**11,791**	—
	291,822	218,961
Other income and gains		
Interest income	**33**	8
Exchange gain, net	**94**	—
Net gains on disposal of property, plant and equipment	**394**	—
Waiver of the interests on convertible notes *(note 33)*	**28,602**	—
Sundry income	**194**	209
	29,317	217

7. SEGMENT INFORMATION

Information reported to the executive directors, 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 are:

(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 and outdoor mass media 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.

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 2013

	Provision of waterworks and civil services HK$'000	Television broadcasting business HK$'000	Total HK$'000
Revenue from external customers	280,031	11,791	291,822
Other income and gains	454	110	564
Reportable segment revenue	280,485	11,901	292,386
Reportable segment results	26,984	(55,846)	(28,862)
Unallocated corporate income			28,753
Unallocated corporate expenses			(81,245)
Finance costs			(41,425)
Loss before income tax			(122,779)

7. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

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 income and gains	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)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the year ended 31 March 2013 (2012: 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.

7. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

At 31 March 2013

	Provision of waterworks and civil services HK$'000	Television broadcasting business HK$'000	Total HK$'000
Segment assets	**83,627**	**643,129**	**726,756**
Unallocated			**48,174**
Consolidated assets			**774,930**
Segment liabilities	**41,660**	**20,069**	**61,729**
Unallocated			**749,304**
Consolidated liabilities			**811,033**

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

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 segment of 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 2013

	Provision of waterworks and civil services HK$'000	Television broadcasting business HK$'000	Unallocated HK$'000	Total HK$'000
Additions to non-current assets	**14,244**	**1,749**	**8,330**	**24,323**
Depreciation of property, plant and equipment	**9,206**	**—**	**1,385**	**10,591**
Amortisation of film rights	**—**	**1,749**	**—**	**1,749**
Amortisation of intangible assets	**—**	**58,725**	**—**	**58,725**
Net gains on disposal of property, plant and equipment	**394**	**—**	**—**	**394**
Impairment loss recognised in respect of available-for-sale financial assets	**—**	**—**	**66,741**	**66,741**

For the year ended 31 March 2012

	Provision of waterworks and civil services HK$'000	Television broadcasting business HK$'000	Unallocated 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

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

For the year ended 31 March 2013, included in revenue arising from provision of waterworks and civil services of approximately HK$280,031,000 (2012: HK$218,961,000) are revenue generated from three (2012: three) customers amounting to approximately HK$261,431,000 (2012: HK$218,390,000) has individually accounted for over 10% of the Group's total revenue. No other single customers contributed 10% or more to the Group's revenue for the years ended 31 March 2013 and 2012.

Revenue from major customers is as follows:

	2013 HK$'000	2012 HK$'000
Customer A	**47,124**	56,642
Customer B	**60,397**	79,705
Customer C	**153,910**	82,043
Others	**30,391**	571
	291,822	218,961

8. LOSS FROM OPERATIONS

	2013 HK$'000	2012 HK$'000
Loss from operations has been arrived at after charging:		
Contract costs recognised as expense	**241,542**	194,999
Amortisation of film rights (included in amortisation expenses)	**1,749**	—
Amortisation of intangible assets (included in amortisation expenses)	**58,725**	17,694
Television broadcasting rights fee and TV satellite fees (included in cost of services)	**6,710**	2,191
Auditors' remuneration	**600**	500
Depreciation of property, plant and equipment	**10,591**	7,089
Loss on disposal of property, plant and equipment	**—**	49
Staff costs *(note 9)*	**61,952**	55,762
Share-based payment expenses	**—**	6,027
Operating lease rentals in respect of rented premises and television broadcasting rights	**15,093**	2,510

9. STAFF COSTS

	2013	2012
	HK$'000	HK$'000
Staff costs (including Directors' remuneration) comprise:		
Wages, salaries and other benefits	**60,142**	48,937
Contribution to defined contribution retirement plan	**1,810**	1,776
Share-based payment expenses	**—**	5,049
	61,952	55,762

10. FINANCE COSTS

	2013	2012
	HK$'000	HK$'000
Interest on:		
Finance lease payables	**187**	162
Borrowings wholly repayable within five years	**10**	116
Promissory note *(note 32)*	**2,455**	1,542
Convertible notes *(note 33)*	**38,773**	12,032
	41,425	13,852

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 2013 and 2012 are as follows:

	Fees HK$'000	Salaries and allowances HK$'000	Bonus HK$'000	Defined contribution retirement benefit scheme contributions HK$'000	Total HK$'000
Year ended 31 March 2013					
Executive Director and Chief Executive Officer					
Mr. Zou Chen Dong *(note (c))*	—	476	59	—	535
Executive Directors					
Mr. Wu Jin Cai *(note (c))*	—	12	1	—	13
Mr. Lee Yuk Lun ("Dr. Lee") *(note (a))*	—	9	1	1	11
Mr. Kan Kwok Cheung ("Mr. Kan")	—	1,627	181	15	1,823
Mr. Chia Thien Loong, Eric John ("Mr. Chia")	—	663	59	15	737
Ms. Wu Xu Hong *(note (g))*	—	10	—	—	10
Mr. Hui Chi Kwong *(note (h))*	—	81	—	3	84
Mr. Cheng Ka Ming, Martin *(note (i))*	—	165	—	3	168
Non-executive Directors					
Mr. Li Yong Sheng *(note (b))*	2	—	—	—	2
Ms. Liang Hui *(note (c))*	12	—	—	—	12
Independent Non-executive Directors					
Mr. Chan Hon Yuen *(note (d))*	120	—	—	—	120
Mr. Chu Siu Lun, Ivan *(note (e))*	120	—	—	—	120
Mr. Hau Chi Kit *(note (f))*	120	—	—	—	120
Mr. Jin Hai Tao *(note (a))*	93	—	—	—	93
	467	3,043	301	37	3,848

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 2012						
Executive Director and Chief Executive Officer						
Mr. Zou Chen Dong *(note (c))*	—	4	—	—	—	4
Executive Directors						
Mr. Wu Jin Cai *(note (c))*	—	4	—	—	—	4
Mr. Kan Kwok Cheung	—	1,271	66	1,326	12	2,675
Mr. Chia Thien Loong, Eric John	—	439	19	1,326	10	1,794
Ms. Wu Xu Hong *(note (g))*	—	4	—	—	—	4
Mr. Hui Chi Kwong *(note (h))*	—	303	18	134	10	465
Mr. Cheng Ka Ming, Martin *(note (i))*	—	733	1	1,326	12	2,072
Non-executive Director						
Ms. Liang Hui *(note (c))*	4	—	—	—	—	4
Independent Non-executive Directors						
Mr. Chan Hon Yuen *(note (d))*	80	—	—	—	—	80
Mr. Chu Siu Lun, Ivan *(note (e))*	82	—	—	—	—	82
Mr. Hau Chi Kit *(note (f))*	98	—	—	—	—	98
Mr. Lo Ho Chor *(note (j))*	30	—	—	—	—	30
Mr. Lim Hung Chun *(note (k))*	29	—	—	—	—	29
Mr. Sung Lee Kwok *(note (l))*	12	—	—	—	—	12
	335	2,758	104	4,112	44	7,353

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

(i) Directors' remuneration (Continued)

Notes:

(a) Appointed on 22 June 2012.

(b) Appointed on 4 February 2013.

(c) Appointed on 9 December 2011.

(d) Appointed on 25 July 2011.

(e) Appointed on 18 July 2011.

(f) Appointed on 16 May 2011.

(g) Appointed on 9 December 2011 and resigned on 5 February 2013.

(h) Appointed on 2 June 2011 and resigned on 22 June 2012.

(i) Resigned on 22 June 2012.

(j) Resigned on 25 July 2011.

(k) Resigned on 18 July 2011.

(l) Resigned on 16 May 2011.

None of Directors waived any emoluments during the years ended 31 March 2013 and 2012 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 one director (2012: two) for the year ended 31 March 2013 whose emoluments are reflected in the analysis as shown in note 11(i). The emoluments of the remaining four (2012: three) individuals for the year ended 31 March 2013 are as follows:

	2013 **HK$'000**	2012 HK$'000
Basic salaries, bonuses and other allowances	**3,246**	2,043
Defined contribution retirement benefit scheme contributions	**58**	36
	3,304	2,079

Their emoluments were within the following band:

	2013 **Number of employees**	2012 Number of employees
Nil to HK$1,000,000	**4**	3

During the years ended 31 March 2013 and 2012, 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:

	2013 **HK$'000**	2012 HK$'000
Current tax — Hong Kong Profits Tax		
— tax for the year	**3,699**	—
— under-provision in respect of prior years	**—**	24
	3,699	24
Deferred tax *(note 34)*		
— current year	**(10,289)**	(3,103)
Income tax credit	**(6,590)**	(3,079)

Hong Kong profits tax is calculated at 16.5% (2012: 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 Cayman Island and 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 for the years ended 31 March 2013 and 2012.

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

	2013		2012	
	HK$'000	**%**	HK$'000	%
Loss before income tax	**(122,779)**		(707,976)	
Tax calculated at the rates applicable to profits in the countries concerned	**(20,258)**	**16.5**	(116,816)	16.5
Tax effect of expenses not deductible for tax purposes	**11,439**	**(9.3)**	112,855	(15.9)
Tax effect of income not taxable for tax purposes	**(3)**	**—**	—	—
Tax effect of other temporary difference not recognised	**—**	**—**	(27)	—
Tax effect of tax losses not recognised	**2,232**	**(1.8)**	885	(0.1)
Under-provision of current tax in respect of prior years	**—**	**—**	24	—
Income tax credit	**(6,590)**	**5.4**	(3,079)	0.5

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$125,360,000 (2012: approximately HK$704,608,000).

14. DIVIDENDS

The Board does not recommend the payments of any dividend in respect of the year ended 31 March 2013 (2012: nil).

15. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	2013	2012
	HK$'000	HK$'000
Loss for the purpose of basic and diluted loss per share	**(116,189)**	(704,897)

	Number of shares	
	'000	'000
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,674,434**	1,277,973

Diluted loss per share for the years ended 31 March 2013 and 2012 are 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.

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 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 and 1 April 2012	91	8,618	2,026	6,220	17,134	6,568	40,657
Additions	6,268	6,770	1,012	836	5,456	2,232	22,574
Disposals	(11)	(398)	(361)	(1)	(919)	(662)	(2,352)
At 31 March 2013	6,348	14,990	2,677	7,055	21,671	8,138	60,879
Accumulated depreciation:							
At 1 April 2011	63	3,660	495	1,301	5,927	1,520	12,966
Depreciation charge for the year *(Note 8)*	27	1,662	346	1,014	2,919	1,121	7,089
Eliminated on disposals	—	—	—	—	(46)	—	(46)
At 31 March 2012 and 1 April 2012	90	5,322	841	2,315	8,800	2,641	20,009
Depreciation charge for the year *(Note 8)*	1,093	2,190	486	1,243	3,474	2,105	10,591
Eliminated on disposals	(6)	(96)	(355)	(1)	(806)	(662)	(1,926)
At 31 March 2013	1,177	7,416	972	3,557	11,468	4,084	28,674
Net book value:							
At 31 March 2013	**5,171**	**7,574**	**1,705**	**3,498**	**10,203**	**4,054**	**32,205**
At 31 March 2012	1	3,296	1,185	3,905	8,334	3,927	20,648

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group (Continued)

The net carrying amount of property, plant and equipment includes the following assets held under finance leases (note 29).

	2013 **HK$'000**	2012 HK$'000
Motor vehicles	**7,549**	4,940

As at 31 March 2013, the Group pledged its machinery with net book value of approximately HK$319,000 (2012: HK$1,171,000) and motor vehicles with net book value of approximately HK$3,636,000 (2012: HK$6,257,000) 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.

The Company

	Leasehold improvements HK$'000	**Furniture and fixtures** HK$'000	**Office equipment** HK$'000	**Motor vehicles** HK$'000	**Total** HK$'000
Cost:					
At 1 April 2011, 31 March 2012 and 1 April 2012	—	—	—	—	—
Additions	6,268	669	665	728	8,330
At 31 March 2013	6,268	669	665	728	8,330
Accumulated depreciation:					
At 1 April 2011, 31 March 2012 and 1 April 2012	—	—	—	—	—
Depreciation charge for the year	1,097	78	76	134	1,385
At 31 March 2013	1,097	78	76	134	1,385
Net book value:					
At 31 March 2013	**5,171**	**591**	**589**	**594**	**6,945**
At 31 March 2012	—	—	—	—	—

17. GOODWILL

The Group

	HK$'000
Cost:	
At 1 April 2011	—
Acquisition of subsidiaries *(note 37)*	816,877
At 31 March 2012, 1 April 2012 and 31 March 2013	816,877
Accumulated impairment losses:	
At 1 April 2011	—
Impairment losses recognised for the year *(note 18)*	665,683
At 31 March 2012, 1 April 2012 and 31 March 2013	665,683
Carrying amount:	
At 31 March 2013	**151,194**
At 31 March 2012	151,194

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 groups of cash-generating units as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
Television broadcasting business	**816,877**	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 nine-year period (2012: ten-year period), and a discount rate of 18.32% per annum (2012: 17.95%). The discount rates used are pre-tax and reflect specific risks to the segment.

Cash flow projections during the budget period are based on financial budgets approved by management covering a nine-year period (2012: ten-year period), as the Directors consider the period of television broadcasting right granted by China Xinhua NNC as the budgeted period. The cash flows beyond that nine-year period (2012: ten-year period) have been extrapolated using a growth rate ranged from 1% to 15% (2012: 1% to 15%) for different countries. The growth rates do not exceed the long-term average growth rate for the market. The Directors believe that any reasonably possible change 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.

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). During the year ended 31 March 2012, 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.

The Directors reassessed the fair value of goodwill at 31 March 2013 and determined that no impairment loss was recognised in the consolidated statement of comprehensive income for the year ended 31 March 2013. The fair value was assessed by reference to the value in use calculation.

19. INTANGIBLE ASSETS

The Group

	Television broadcasting right HK$'000
Cost:	
At 1 April 2011	—
Acquisition of subsidiaries *(note 37)*	567,000
At 31 March 2012, 1 April 2012 and 31 March 2013	567,000
Accumulated amortisation and impairment:	
At 1 April 2011	—
Amortisation for the year *(note 8)*	17,694
At 31 March 2012 and 1 April 2012	17,694
Amortisation for the year *(note 8)*	58,725
At 31 March 2013	76,419
Carrying amount:	
At 31 March 2013	**490,581**
At 31 March 2012	549,306

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 2013 and 2012 and determined that no impairment loss was recognised in the consolidated statement of comprehensive income for the years ended 31 March 2013 and 2012. The recoverable amount of intangible assets was assessed by reference to the value in use calculation.

20. FILM RIGHTS

The Group

	HK$'000
Cost:	
At 1 April 2011, 31 March 2012 and 1 April 2012	—
Additions	1,749
At 31 March 2013	1,749
Accumulated amortisation and impairment:	
At 1 April 2011, 31 March 2012 and 1 April 2012	—
Amortisation for the year *(note 8)*	1,749
At 31 March 2013	1,749
Carrying amount:	
At 31 March 2013	**—**
At 31 March 2012	—

Film rights represent television programmes produced by the Group. The useful life of film rights is upon the completion of broadcasting the relevant television programmes.

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group	
	2013	2012
	HK$'000	HK$'000
Available-for-sale financial assets comprise:		
Unlisted equity securities in Hong Kong	**400**	67,141
Analysed for reporting purposes as:		
Non-current assets	**400**	67,141

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

Unlisted equity securities represented the securities issued by a private entity incorporated in Hong Kong. The private entity is principally engaged in outdoor advertising in Hong Kong. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably. During the year ended 31 March 2013, an objective evidence of impairment was considered to exist due to adverse financial position of such private entity. For the purpose of impairment, the recoverable amount has been determined under the market-based approach and the number of contracts on hand. The management considered that the recoverable amount of available-for-sale financial assets is significantly less than its investment cost and hence an impairment loss of approximately HK$66,741,000 (2012: nil) is recognised against the investment cost.

22. JOINTLY CONTROLLED ENTITIES

	The Group	
	2013	2012
	HK$'000	HK$'000
Share of net assets	**1,012**	—

As at 31 March 2013, the Group had interests in the following significant jointly controlled entities:

Name of entity	Form of entity	Place of incorporation and operation	Effective percentage of interest held 2013	2012	Principal activity
Hsin Chong Tsun Yip Joint Venture (DC/2012/04)	Unincorporated	Hong Kong	40%	—	Civil engineering
Hsin Chong Tsun Yip Joint Venture (DC/2012/07)	Unincorporated	Hong Kong	43%	—	Civil engineering
Hsin Chong Tsun Yip Joint Venture (DC/2012/08)	Unincorporated	Hong Kong	43%	—	Civil engineering

Note:

Pursuant to the terms of the joint venture agreements, the profit sharing for each year of all jointly controlled entities listed herein above shall be distributed to the joint venture parties in proportion to their respective interests.

22. JOINTLY CONTROLLED ENTITIES (Continued)

The Group's share of assets and liabilities and net profits of jointly controlled entities is summarised below:

	The Group	
	2013	2012
	HK$'000	HK$'000
Current assets	**5,505**	—
Current liabilities	**(4,493)**	—
	1,012	—
Revenue — construction works	**12,167**	—
Expenses	**(11,155)**	—
Profit for the year	**1,012**	—

23. INVENTORIES

	The Group	
	2013	2012
	HK$'000	HK$'000
Construction materials	**22,251**	22,286

24. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables *(note (i), (iii))*	**3,146**	18,387	**—**	—
Retention receivables *(note (ii), (iii)), (note 25)*	**7,852**	7,765	**—**	—
Other receivables and prepayments *(note (iv))*	**21,826**	11,994	**184**	509
Amounts due from customers for contract works *(note 25)*	**2,580**	15,497	**—**	—
Deposits	**8,305**	3,130	**4,978**	—
	43,709	56,773	**5,162**	509

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 based on the invoice date at the end of the reporting period:

	The Group	
	2013	*2012*
	HK$'000	*HK$'000*
Current	***3,146***	*18,387*

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) 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.

25. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORKS

	The Group	
	2013	2012
	HK$'000	HK$'000
Contracts in progress at the end of the reporting period:		
Contract costs incurred to date plus recognised profits	**619,263**	563,963
Less: recognised losses	**—**	—
	619,263	563,963
Progress billings	**(616,683)**	(564,766)
	2,580	(803)
Analysed for reporting purposes as:		
Amounts due from customers for contract works *(note 24)*	**2,580**	15,497
Amounts due to customers for contract works *(note 28)*	**—**	(16,300)
	2,580	(803)

"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.

As at 31 March 2013, the retentions held by customers for contract works included in other receivables (note 24) amounted to approximately HK$7,852,000 (2012: HK$7,765,000).

As at 31 March 2013, the advances received from customers included in other payables (note 28) under current liabilities amounted to approximately HK$2,800,000 (2012: HK$2,200,000).

26. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

The Group and the Company

Bank balances carry interest at market rates which range from 0.01%–3.00% (2012: 0.01%–0.05%) per annum. As at 31 March 2012, the pledged bank deposits carried at fixed interest rate of 0.35% per annum.

Pledged bank deposits represented deposits pledged to banks to secure banking facilities granted to the Group. As at 31 March 2012, deposits amounting to approximately HK$2,005,000 had been pledged to secure bank overdrafts and short-term bank loans and were therefore classified as current assets. During the year ended 31 March 2013, the pledged bank deposits were released upon the settlement of relevant bank borrowings.

The Group

As at 31 March 2013, the cash and cash equivalents of the Group included currencies denominated in Renminbi amounting to approximately HK$10,569,000 (2012: nil) which is not freely convertible into other currencies.

The Company

As at 31 March 2013, the cash and cash equivalents of the Company included currencies denominated in Renminbi amounting to approximately HK$87,000 (2012: nil) which is not freely convertible into other currencies.

27. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2013	2012
	HK$'000	HK$'000
Unlisted shares, at cost	**38,681**	23,682
Amounts due from subsidiaries *(note (a))*	**1,309,662**	1,323,807
Less: Impairment loss recognised *(note (b))*	**(790,030)**	(682,663)
	519,632	641,144
Amount due to a subsidiary *(note (c))*	**18,961**	—

Notes:

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

(b) After considering the financial positions of the relevant subsidiaries, the Directors are in the opinion that an impairment loss of approximately HK$107,367,000 (2012: approximately HK$682,663,000) has been recognised for the year ended 31 March 2013.

(c) The amount due to a subsidiary is unsecured, interest-free and repayable on demand.

27. INVESTMENTS IN SUBSIDIARIES (Continued)

Particulars of the Company's principal subsidiaries at 31 March 2013 are as follows.

Name of company	Place and date of incorporation and form of business structure	Percentage of equity interests and voting power held by the Company %	Nominal value of issued share capital	Principal activities
Direct subsidiary				
TYW (BVI) Limited	British Virgin Islands, 2 July 2009, limited liability company	100	United States Dollars ("US$") 50,000, divided into 50,000 ordinary shares of US$1.00 each	Investment holding
Indirect subsidiaries				
TY Civil	Hong Kong, 16 July 2000, limited liability company	100	HK$15,000,000, divided into 15,000,000 ordinary 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 ordinary shares of HK$1.00 each	Provision of waterworks and laying of water pipes
Xinhua TV Asia-Pacific	Hong Kong, 22 December 2009, limited liability company	100	HK$10,000, divided into 10,000 ordinary shares of HK$1.00 each	Television broadcasting business in the Asia Pacific region (excluding 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 of the assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

28. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**25,930**	19,721	**—**	—
Retention money payables	**3,955**	3,610	**—**	—
Advances received from customers *(note (i))* *(note 25)*	**2,800**	2,200	**—**	—
Amounts due to customers for contract works *(note 25)*	**—**	16,300	**—**	—
Amount due to a shareholder *(note (ii))*	**18,060**	11,017	**—**	—
Deferred revenue	**—**	500	**—**	500
Interest payable	**13,421**	10,320	**11,204**	9,454
Amount due to a related party *(note (iii))*	**2,009**	2,009	**—**	—
Other payables and accruals	**11,824**	12,805	**3,513**	5,271
	77,999	78,482	**14,717**	15,225
Less:				
Interest payable — non-current portion	**(2,217)**	(866)	**—**	—
	75,782	77,616	**14,717**	15,225

Notes:

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

(ii) Amount due to a shareholder represents amount due to a major shareholder, China Xinhua NNC, which is unsecured, interest-free and repayable on demand.

(iii) Amount due to a related party represents 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.

28. TRADE AND OTHER PAYABLES (Continued)

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	
	2013	2012
	HK$'000	HK$'000
Current or less than 1 month	**22,679**	11,917
1 to 3 months	**2,990**	35
More than 3 months but less than 12 months	**15**	7,497
More than 12 months	**246**	272
	25,930	19,721

29. 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 2013, the weighted average interest rate is 2.5% (2012: 4.9%) per annum.

Future lease payments are due as follows:

The Group

At 31 March 2013

	Minimum lease payments HK$'000	Interest HK$'000	Present value HK$'000
Not later than one year	**2,941**	**190**	**2,751**
Later than one year and not later than five years	**3,495**	**156**	**3,339**
	6,436	**346**	**6,090**

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

30. BORROWINGS

	The Group	
	2013	2012
	HK$'000	HK$'000
Interest bearing:		
Secured bank loans — on demand	**—**	3,208

During the year ended 31 March 2012, the Group obtained a bank loan together with the banking facilities, which was secured by pledged deposits with an amount of approximately HK$2,005,000 and a cross guarantee from a subsidiary and the Company. The bank loans carried 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.

31. EMPLOYEE BENEFITS

	The Group	
	2013	2012
	HK$'000	HK$'000
Liabilities for employee benefits comprise:		
Annual leave entitlement	**766**	666
Long service payments entitlement	**1,585**	1,285
	2,351	1,951

32. 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% of equity interests in China New Media (HK) Company Limited. 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	
	2013	2012
	HK$'000	HK$'000
At the beginning of the year	**42,336**	—
Issuance of promissory note	**—**	41,660
Interest charged at an effective interest rate of 5.744% *(note 10)*	**2,455**	1,542
Interest payable	**(1,351)**	(866)
At the end of the year	**43,440**	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. 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%.

The fair value of the non-equity call option of 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 notes are calculated using the effective interest method by applying effective interest rate of 5.744%.

33. CONVERTIBLE NOTES

The Group and the Company

On 9 December 2011, the Company issued convertible notes in the principal 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 Operating Co., Limited ("Xinhua TV Asia-Pacific"). Each note entitles the holder to convert to ordinary shares at a conversion price of approximately HK$0.196 per share.

Conversion may occur at any time between 9 December 2011 and 8 December 2014. If the notes have not been converted, the Company will be redeemed on 9 December 2014 at the outstanding principal amount. Interest of 5% per annum will be paid on maturity until the notes are converted or redeemed.

The convertible notes contain two components, liability and equity components. The equity components 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 and 1 April 2012	584,365
Interest charged calculated at an effective interest rate of 6.64% *(note 10)*	38,773
Interest payable	(30,351)
Liability component at 31 March 2013	**592,787**

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.

On 8 November 2012, Proud Glory Investments Limited ("Proud Glory"), a holder of the convertible notes, agreed to waive the payment of convertible note interests incurred from 9 December 2011 to 8 December 2012 amounting to approximately HK$8,750,000 in order to support the development of the business of the Company.

On 4 December 2012, China Xinhua NNC, a holder of the convertible notes, agreed to waive the payment of convertible note interests incurred from 9 December 2011 to 8 December 2012 amounting to approximately HK$19,852,000 in order to support the development of the business of the Company.

34. 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 2011	—	—	1,541	—	1,541
Acquisition of subsidiaries	93,555	—	—	—	93,555
Recognised directly in equity	—	3,464	—	—	3,464
(Credited)/charged to profit and loss for the year *(note 12)*	(2,920)	(439)	554	(298)	(3,103)
At 31 March 2012 and 1 April 2012	90,635	3,025	2,095	(298)	95,457
(Credited)/charged to profit and loss for the year *(note 12)*	(9,689)	(1,390)	492	298	(10,289)
At 31 March 2013	**80,946**	**1,635**	**2,587**	**—**	**85,168**

The Company

	Accelerated depreciation allowances HK$'000	Convertible notes HK$'000	Total HK$'000
At 1 April 2011	—	—	—
Recognised directly in equity	—	3,464	3,464
Credited to profit and loss for the year	—	(439)	(439)
At 31 March 2012 and 1 April 2012	—	3,025	3,025
Charged/(credited) to profit and loss for the year	57	(1,390)	(1,333)
At 31 March 2013	**57**	**1,635**	**1,692**

At the end of the reporting period, the Group has unused tax losses of approximately HK$21,230,000 (2012: HK$9,528,000) available for offset against future profits. At 31 March 2013, no deferred tax assets has been recognised in respect of such losses (2012: HK$1,807,000) 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$21,230,000 (2012: HK$7,721,000) of such losses due to the unpredictability of future profit streams of those subsidiaries which incurred these remaining tax losses.

35. SHARE CAPITAL

The Group and the Company

	Notes	**Number of shares** At HK$0.001 each	**Nominal value** HK$'000
Authorised:			
At 1 April 2011, 31 March 2012, 1 April 2012 and 31 March 2013		500,000,000,000	500,000
Issued and fully paid:			
At 1 April 2011		992,000,000	992
Issue of shares pursuant to the placing	*(a)*	198,400,000	198
Issue of shares pursuant to acquisition of subsidiaries	*(b)*	474,335,664	474
At 31 March 2012 and 1 April 2012		1,664,735,664	1,664
Issue of shares pursuant to the placing	*(c)*	10,000,000	10
At 31 March 2013		**1,674,735,664**	**1,674**

Notes:

(a) 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 HK$34,323,000. The excess of the placing price over the par value of the shares issued was credited to the share premium.

(b) 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.

(c) On 12 April 2012, 10,000,000 shares of HK$0.001 each were issued by way of placing at a price of HK$1.00 per share for cash consideration of HK$10,000,000. The excess of the placing price over the par value of the shares issued was credited to the share premium.

36. RESERVES

The Group

Details of movements in capital and reserves of the Group are set out in the consolidated statement of changes in equity on page 52.

The Company

	Share premium HK$'000	Convertible notes equity reserves HK$'000	Share option reserves HK$'000	Other reserves HK$'000	Accumulated losses HK$'000	Total HK$'000
At 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 option reserves upon cancellation of equity-settled share options arrangement	—	—	(6,027)	—	6,027	—
At 31 March 2012 and 1 April 2012	725,506	17,381	—	23,647	(703,113)	63,421
Loss and total comprehensive loss for the year	—	—	—	—	(125,360)	(125,360)
Issue of shares pursuant to the placing	9,990	—	—	—	—	9,990
Share placement expenses	(407)	—	—	—	—	(407)
At 31 March 2013	**735,089**	**17,381**	**—**	**23,647**	**(828,473)**	**(52,356)**

36. RESERVES (Continued)

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

Reserve	Description and purpose
Share premium	Under the Companies Law of the Cayman Islands, the share premium 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 option reserves	Share option reserves relates to share options granted to employees under the Company's share option scheme. Further information about share-based payments to employees is set out in note 38.
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.

37. 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.

37. ACQUISITION OF SUBSIDIARIES (Continued)

	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)

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 had been excluded from the consideration transferred and had 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 the 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.

37. ACQUISITION OF SUBSIDIARIES (Continued)

Included in the loss for the year ended 31 March 2012 has loss of approximately HK$2,191,000 attributable to Xinhua TV Asia-Pacific and its subsidiaries ("Xinhua TV Group"). During the year ended 31 March 2012, 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 ended 31 March 2012 would have been 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.

38. SHARE-BASED PAYMENT

The share option scheme (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, advisors and consultants, shareholders 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.

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.

38. SHARE-BASED PAYMENT (Continued)

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
Cheng Ka Ming Martin	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

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, the corresponding amount has been credited to share option 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.

During the year ended 31 March 2013, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

39. OPERATING LEASE COMMITMENTS

The Group as lessee

	2013 HK$'000	2012 HK$'000
Minimum lease payments paid under operating leases during the year	**15,093**	2,510

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	
	2013 **HK$'000**	2012 HK$'000	**2013** **HK$'000**	2012 HK$'000
Within one year	**12,215**	12,886	**24**	173
In the second to fifth years inclusive	**30,434**	35,290	**81**	—
Over five years	**14,833**	20,333	**—**	—
	57,482	68,509	**105**	173

Operating leases related to office property, Director's quarter, certain office equipment, television broadcasting rights, the use of satellite capacity and broadcasting services with lease term of between 2 to 10 years (2012: 2 to 10 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.

40. CAPITAL COMMITMENTS

The Group and the Company

	2013 HK$'000	2012 HK$'000
Commitments for the acquisition of property, plant and equipment	**10,704**	1,311

41. CONTINGENT LIABILITIES

The Company

At 31 March 2012, the Company provided guarantee to the extent of approximately HK$3,208,000 for the banking facilities granted to a subsidiary. During the year ended 31 March 2013, the guarantee was released upon the expiration of the banking facilities.

42. RELATED PARTY TRANSACTIONS

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

Related party relationship	Type of transaction	2013 HK$'000	2012 HK$'000
A company that Mr. Chia had material interest	Rental expenses for an office premises paid *(note (i))*	**75**	103
	Service fee for announcement posting agreement	**9**	7
	Company secretarial fees paid	**41**	116
China Xinhua NNC	Annual fee for television broadcasting right *(note (ii))*	**1,000**	312
	Advertisement broadcasting income *(note (iii))*	**5,625**	—
	Waiver of the interests on convertible notes *(note (iv))*	**19,852**	—
	Accrued interests on convertible notes *(note (v))*	**19,852**	6,200
A company that Xinhua News Agency had material interest	Production fee paid	**192**	—
Dr. Lee	Sales of goods	**130**	—
A company that Dr. Lee had material interest	Waiver of the interests on convertible notes *(note (iv))*	**8,750**	—
	Accrued interests on convertible notes *(note (v))*	**8,750**	2,733
A company that Mr. Chan Hon Yuen is a common director	Advertising income	**100**	—

Notes:

(i) Rental expenses were charged at a term mutually agreed between the Group and the related company. The lease was terminated with effect from 1 September 2012 under mutual agreement between the Group and the related company.

(ii) 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.

42. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

Notes: (Continued)

(iii) *Pursuant to the advertisement broadcasting contract signed between the Group and China Xinhua NNC on 24 August 2012, China Xinhua NNC has agreed to pay the Group, in cash, 50% of any amount that 中國新華電視網有限公司 ("CNC China") receives as the economic entitlement of CNC China under the advertisement operation cooperation contract dated 23 May 2011 entered into between CNC China and AVIC Culture Co., Limited ("AVIC Culture") relating to the grant of the exclusive right by CNC China to AVIC Culture for the promotion and operation of 58% of the advertising resources of the CNC Channels, which are developed and currently maintained by China Xinhua NNC ("Partial Advertisement Operation Right"), for the period from 25 May 2011 to 25 August 2016 (the "Advertisement Operation Cooperation Contract"), being a guaranteed fixed fee of RMB90 million plus 40% of the part of advertising revenue derived from the Partial Advertisement Operation Right in excess of RMB90 million during the term of the advertisement operation cooperation contract.*

(iv) *During the year ended 31 March 2013, China Xinhua NNC and Proud Glory have waived the interests on convertible notes of approximately HK$19,852,000 (2012: nil) and approximately HK$8,750,000 (2012: nil) for the period from 9 December 2011 to 8 December 2012 respectively.*

(v) *During the year ended 31 March 2013, the convertible notes interests payables to China Xinhua NNC and Proud Glory were amount to approximately HK$19,852,000 (2012: approximately HK$6,200,000) and approximately HK$8,750,000 (2012: approximately HK$2,733,000) respectively.*

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 obligations under finance lease as at the end of the reporting period as disclosed in note 29 and the banking facilities provided to a subsidiary of the Company.

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. Details of the remuneration paid to them during the year are set out in note 11.

(c) For the transaction constitutes continuing connected transaction under the GEM Listing Rules, please refer to "Connected Transactions" under "Directors' Report".

43. NON-CASH TRANSACTION

(a) During the year ended 31 March 2013, 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$3,804,000 (2012: HK$4,683,000).

(b) On 12 August 2011, the Group offer an aggregate of 45,000,000 share options to directors, employees, consultants, advisors and other eligible participants to subscribe for 45,000,000 new ordinary shares of HK$0.001 each of the Company, under the Share Option Scheme. Share-based payment expenses of approximately HK$6,027,000 was recognised in the consolidated statement of comprehensive income for the year ended 31 March 2012. For details, please refer to the Company's announcement on 12 August 2011.

44. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	The Group 2013 HK$'000	2012 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**55,351**	56,992
Available-for-sale financial assets	**400**	67,141
Financial liabilities		
Amortised costs	**717,516**	709,897

	The Company 2013 HK$'000	2012 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**13,766**	641,588
Financial liabilities		
Amortised costs	**626,465**	599,090

(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 management

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.

44. FINANCIAL INSTRUMENTS (Continued)

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

(i) Credit risk management (Continued)

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

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 7% (2012: 31%) and 31% (2012: 99%) of the total trade and other receivables was due from the Group's largest customer and the five largest customers respectively.

(ii) Liquidity risk management

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 to 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 tables below summarise the maturity profile of the Group's and the Company's financial liabilities at 31 March on contractual undiscounted payments:

The Group

	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total undiscounted cash flows	Total carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 March 2013						
Trade and other payables	**30,225**	**25,930**	**11,204**	**7,840**	**75,199**	**75,199**
Finance lease payables	**—**	**735**	**2,206**	**3,495**	**6,436**	**6,090**
Promissory note	**—**	**—**	**—**	**46,876**	**46,876**	**43,440**
Convertible notes	**—**	**—**	**20,898**	**637,382**	**658,280**	**592,787**
	30,225	**26,665**	**34,308**	**695,593**	**786,791**	**717,516**
At 31 March 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

44. FINANCIAL INSTRUMENTS (Continued)

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

(ii) Liquidity risk management (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
At 31 March 2013						
Accrued expenses and other payables	**3,513**	**—**	**11,204**	**—**	**14,717**	**14,717**
Amount due to a subsidiary	**18,961**	**—**	**—**	**—**	**18,961**	**18,961**
Convertible notes	**—**	**—**	**20,898**	**637,382**	**658,280**	**592,787**
	22,474	**—**	**32,102**	**637,382**	**691,958**	**626,465**
At 31 March 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

(iii) Interest rate risk management

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 evaluate its interest rate risk.

44. FINANCIAL INSTRUMENTS (Continued)

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

(iii) Interest rate risk management (Continued)

Interest rate profile (Continued)

The Group

	2013 Effective interest rate (%)	2013 HK$'000	2012 Effective interest rate (%)	2012 HK$'000
Financial liabilities				
Fixed rate borrowings				
— Finance lease payables	**2.5**	**6,090**	4.9	4,206
— Convertible notes	**6.64**	**592,787**	6.64	584,365
— Promissory note	**5.74**	**43,440**	5.74	42,336
Floating rate borrowings				
— Bank borrowings	**—**	**—**	2.7	3,208
Financial assets				
Fixed rate assets				
— Pledged bank deposits	**—**	**—**	0.35	2,005
Floating rate assets				
— Bank balances	**0.01–3.00**	**33,266**	0.01–0.05	10,011

The Company

	2013 Effective interest rate (%)	2013 HK$'000	2012 Effective interest rate (%)	2012 HK$'000
Financial liabilities				
Fixed rate borrowings				
— Convertible notes	**6.64**	**592,787**	6.64	584,365
Financial assets				
Fixed rate assets				
— Pledged bank deposits	**—**	**—**	0.35	2,005
Floating rate assets				
— Bank balances	**0.01–0.27**	**7,055**	0.01–0.05	360

44. FINANCIAL INSTRUMENTS (Continued)

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

(iii) Interest rate risk management (Continued)

Sensitivity analysis

The Group

At 31 March 2013, it is estimated that a general decrease or increase of 100 (2012: 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$333,000 (2012: HK$68,000). There is no impact on other components of equity.

The Company

At 31 March 2013, it is estimated that a general decrease or increase of 100 (2012: 100) basis points in interest rates, with all other variables held constant, would increase or decrease the Company's loss after tax by approximately HK$71,000 (2012: HK$4,000). 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 balance sheet date. The analysis is performed on the same basis for 2012.

(iv) Foreign currency risk management

The group entities collect most of the revenue and incur most of the expenditures in their respective functional currencies. The Directors consider that the Group's exposure to foreign currency exchange risk is insignificant as the majority of the Group's transactions are denominated in the functional currency of each individual group entity.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

The Group

	Assets		Liabilities	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States Dollars ("USD")	**28**	42	**—**	—
Renminbi ("RMB")	**10,569**	—	**—**	—

44. FINANCIAL INSTRUMENTS (Continued)

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

(iv) Foreign currency risk management (Continued)

The Company

	Assets		Liabilities	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Renminbi ("RMB")	**87**	–	**–**	–

Foreign currency sensitivity analysis

As HK$ is pledged to USD, the Group does not expect any significant foreign currency exposure arising from the fluctuation of the HK$ to USD exchange rates. As a result, the Directors consider that the sensitivity of the Group's exposure towards the change in foreign exchange rates between HK$ to USD is minimal.

The Company is mainly exposed to the effects of fluctuation in RMB.

The following table details the Group's and the Company's sensitivity to a 5% increase and decrease in HK$ against RMB. The sensitivity analysis includes outstanding foreign currency denominated monetary items. A positive number below indicates an increase in profit or equity where the HK$ strengthen 5% against RMB. For a 5% weakening of the HK$ against RMB, there would be an equal and opposite impact on the profit or equity, and the balances below would be negative.

The Group

	Impact of RMB	
	2013	2012
	HK$'000	HK$'000
Profit or loss *(note)*	**528**	–

44. FINANCIAL INSTRUMENTS (Continued)

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

(iv) Foreign currency risk management (Continued)

Foreign currency sensitivity analysis (Continued)

The Company

	Impact of RMB	
	2013	2012
	HK$'000	HK$'000
Profit or loss *(note)*	**4**	—

Note:

This is mainly attributable to the exposure outstanding on monetary items denominated in RMB not subject to cash flow hedge at the end of the reporting period.

(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

	2013		2012	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	HK$'000	**HK$'000**	HK$'000	HK$'000
Financial liabilities				
Convertible notes	**592,787**	**595,758**	584,365	584,805
Promissory note	**43,440**	**43,976**	42,336	41,623

44. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value of financial instruments (Continued)

The Company

	2013		2012	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Financial liabilities				
Convertible notes	**592,787**	**595,758**	584,365	584,805

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, 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).

The Group

At 31 March 2013

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Available-for-sale financial assets				
Unlisted equity securities *(note)*	**—**	**—**	**400**	**400**

At 31 March 2012

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Available-for-sale financial assets				
Unlisted equity securities *(note)*	—	—	67,141	67,141

44. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value of financial instruments (Continued)

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

Reconciliation of Level 3 fair value measurements of financial assets

	Unlisted equity securities	
	2013	2012
	HK$'000	HK$'000
At 1 April 2012/2011	**67,141**	—
Additions	**—**	67,141
Impairment losses recognised in profit or loss	**(66,741)**	—
At 31 March 2013/2012	**400**	67,141

Note:

The unlisted equity securities was recognised at cost less impairment at the end of each reporting period.

45. 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.

The Group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

45. CAPITAL RISK MANAGEMENT (Continued)

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

	2013 HK$'000	2012 HK$'000
Debt *(note (a))*	**722,667**	714,548
Less: Cash and cash equivalents	**(33,266)**	(10,011)
Net debt	**689,401**	704,537
Equity *(note (b))*	**(36,103)**	70,493
Net debt and equity	**653,298**	775,030
Net debt to equity ratio	**106%**	91%

Notes:

(a) Debt comprises trade and other payables, finance lease payables, borrowings, employee benefits, promissory note and convertible notes as detailed in notes 28, 29, 30, 31, 32 and 33 respectively.

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

46. LITIGATION

On 3 May 2013, a Writ of Summons was issued by Kwai Hung Construction Company Limited (the "Plaintiff") against the Company (the "Defendant"). The Plaintiff claimed against the Defendant for failure and/or refused to settle the balance of the consideration of approximately HK$2,751,000 to carry out certain renovation works at Rooms 2601–2605, 26th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

On 6 May 2013, Dr. Lee settled the outstanding amount due on behalf of the Defendant. On 9 May 2013, a notice of discontinuance was issued by the Plaintiff to the Defendant for wholly discontinuation to take legal action against the Defendant.

The Directors, based on legal advice, consider that the case was closed and the case does not have any adverse financial impact upon the Company at all. Therefore, no provision in respect of such claims was made in the financial statements.

47. COMPARATIVES

Certain comparative figures have been reclassified to conform with the current year's presentation.

48. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 May 2013.

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

	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**291,822**	218,961	184,307	148,844	87,696
Cost of services	**(248,252)**	(197,190)	(162,107)	(121,872)	(70,617)
Gross profit	**43,570**	21,771	22,200	26,972	17,079
Other revenue	**29,317**	217	544	811	2,539
Amortisation expenses	**(60,474)**	(17,694)	—	—	—
Selling and distribution expenses	**(423)**	—	—	—	—
Administrative expenses	**(27,615)**	(32,735)	(10,739)	(6,753)	(5,431)
(Loss)/profit from operations	**(15,625)**	(28,441)	12,005	21,030	14,187
Finance costs	**(41,425)**	(13,852)	(341)	(634)	(455)
Share of profit of jointly controlled entities	**1,012**	—	—	—	—
Impairment loss in respect of available-for-sale financial assets	**(66,741)**	—	—	—	—
Impairment loss in respect of goodwill	**—**	(665,683)	—	—	—
(Loss)/profit before income tax	**(122,779)**	(707,976)	11,664	20,396	13,732
Income tax	**6,590**	3,079	(1,918)	(3,558)	(2,327)
(Loss)/profit and total comprehensive (loss)/ income for the year	**(116,189)**	(704,897)	9,746	16,838	11,405

CONSOLIDATED FINANCIAL POSITION

As at 31 March

	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**675,392**	788,289	12,711	13,308	8,697
Current assets	**99,538**	92,209	61,513	48,389	45,196
Total assets	**774,930**	880,498	74,224	61,697	53,893
Less: Current liabilities	**84,082**	84,451	26,659	36,873	27,497
Total assets less current liabilities	**690,848**	796,047	47,565	24,824	26,396
Less: Non-current liabilities	**726,951**	725,554	1,785	2,484	2,324
Total net (liabilities)/assets/Total equity	**(36,103)**	70,493	45,780	22,340	24,072

Note:

(a) 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.