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

2013-2014

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

CONSOLIDATED RESULTS

For the year ended 31 March

	Changes	**2014 HK$'000**	2013 HK$'000 (Restated)
Revenue	10.7%	**324,331**	293,034
Gross profit	11.9%	**50,100**	44,782
Loss before income tax	294.5%	**(483,513)**	(122,579)
Loss attributable to owners of the Company	271.2%	**(431,292)**	(116,189)
Basic loss per Share (HK cents)	262.2%	**(25.14)**	(6.94)
Dividend per Share (HK cents)	N/A	**N/A**	N/A

CONSOLIDATED FINANCIAL POSITION

As at 31 March

	Changes	**2014 HK$'000**	2013 HK$'000 (Restated)
Total assets	-57.3%	**332,957**	779,346
Cash and cash equivalents	-43.1%	**20,609**	36,229
Total liabilities	-9.1%	**740,896**	815,449
Equity attributable to owners of the Company	-1,029.9%	**(407,939)**	(36,103)

RATIOS

As at 31 March

	2014	2013 (Restated)
Return on equity *(Note a)*	**N/A**	N/A
Return on assets *(Note b)*	**-129.5%**	–14.9%
Current ratio *(Note c)*	**0.18 time**	1.19 times
Gearing ratio *(Note d)*	**178.8%**	82.8%

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 amount of 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 for the public sector in Hong Kong, television broadcasting business in the Asia-Pacific region (excluding the PRC) in return for advertising and related revenue. In the current year, the Group has committed to develop the large outdoor display screen advertisement business in the PRC.

The Company was incorporated in the Cayman Islands 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 on 15 March 2010 and its Shares were listed on GEM on 30 August 2010.

Currently, the Group's television broadcasting business is mainly carried out through Xinhua TV Asia-Pacific and its subsidiaries. The Group's large outdoor display screen advertisement business is mainly carried out through Shenzhen Qianhai Xinhua TV Cultural Development Limited (深圳前海新華電視文化發展有限公司) and Xinhua Outdoor Display Network Broadcast Limited.

The Group's business of provision of waterworks engineering services 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 and forming joint operations while TY Civil responsible for signing and implementing civil engineering contracts as a subcontractor.

REGISTRATIONS HELD FOR UNDERTAKING PRINCIPAL ACTIVITIES

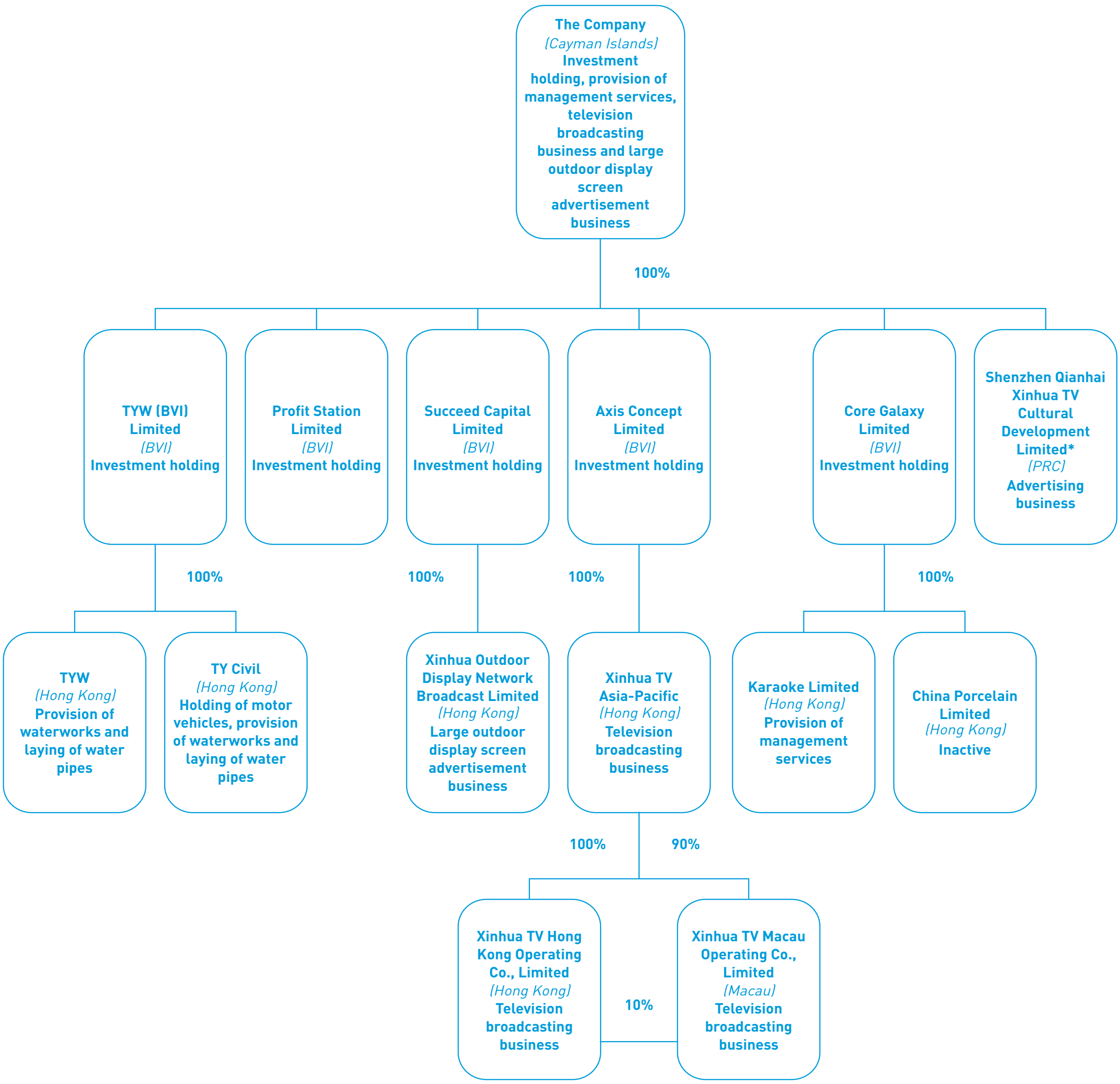
The Group has obtained the following registrations from Works Branch Development Bureau (發展局工務科) of the Government for undertaking projects as a main contractor:

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$185 million each in any one category, provided that the total value of works in any one category does not exceed HK$500 million
Approved Contractors for Public Works – Roads and Drainage Category (Group B) (confirmed status)	Current contract value up to HK$185 million
Approved Contractors for Public Works – Site Formation Category (Group B) (probationary status)	Current contract value up to HK$185million

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 2014:



* *for identification purpose only*

Corporate Information

DIRECTORS

Executive Directors

Mr. Wu Jin Cai *(Chairman)*
Dr. Lee Yuk Lun *(Vice chairman)*
Mr. Zou Chen Dong *(Chief Executive Officer)*
Mr. Kan Kwok Cheung
Mr. Chia Kar Hin, Eric John

Non-executive Directors

Mr. Li Yong Sheng
Ms. Liang Hui

Independent Non-executive Directors

Mr. Jin Hai Tao
Mr. Wong Chung Yip, Kenneth
(appointed on 16 December 2013)
Mr. Hau Chi Kit
Mr. Chu Siu Lun, Ivan
Mr. Chan Hon Yuen *(resigned on 10 December 2013)*

AUTHORISED REPRESENTATIVES

Mr. Zou Chen Dong
Mr. Chia Kar Hin, Eric John

COMPLIANCE OFFICER

Mr. Chia Kar Hin, Eric John

COMPANY SECRETARY

Ms. Li Yuet Tai, *CPA*

AUDIT COMMITTEE

Mr. Wong Chung Yip, Kenneth *(Chairman)*
(appointed on 16 December 2013)
Mr. Jin Hai Tao
Ms. Liang Hui
Mr. Li Yong Sheng
Mr. Hau Chi Kit
Mr. Chu Siu Lun, Ivan
Mr. Chan Hon Yuen *(resigned on 10 December2013)*

REMUNERATION COMMITTEE

Mr. Jin Hai Tao *(Chairman)*
Ms. Liang Hui
Mr. Wong Chung Yip, Kenneth
(appointed on 16 December 2013)
Mr. Hau Chi Kit
Mr. Chu Siu Lun, Ivan

NOMINATION COMMITTEE

Mr. Wu Jin Cai *(Chairman)*
Mr. Jin Hai Tao
Ms. Liang Hui
Mr. Wong Chung Yip, Kenneth
(appointed on 16 December 2013)
Mr. Hau Chi Kit
Mr. Chu Siu Lun, Ivan
Mr. Chan Hon Yuen *(resigned on 10 December2013)*

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
Level 22, Hopewell Centre,
183 Queen's Road East, Wanchai
Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Bank of Communication Co., 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
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"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
"CNC China"	中國新華新聞電視網有限公司, a company incorporated in the PRC, which owns 100% of the equity interests in China Xinhua NNC, a wholly-owned subsidiary of Xinhua News Agency and a substantial 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
"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 2014
"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
"Macau"	the Macau Special Administrative Region of the PRC
"Mr. Chia"	Mr. Chia Kar Hin, Eric John (謝嘉軒), 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
"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
"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 am pleased to present the annual results of the Group for the year ended 31 March 2014.

RESULTS FOR THE YEAR

During the year ended 31 March 2014, we had obtained approximately HK$324.3 million revenue, which represented an increase of approximately 10.7% over the revenue for the year ended 31 March 2013 (2013: HK$293.0 million).

The gross profit increased by approximately 11.9% from approximately HK$44.8 million for the year ended 31 March 2013 to approximately HK$50.1 million for the year ended 31 March 2014.

The net loss of our Group for the year ended 31 March 2014 was approximately HK$431.3 million, representing approximately 271.2% increase from that of previous year (2013: HK$116.2 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 and large outdoor display screen advertisement 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 currently implemented or to be implemented by the Government 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 waterworks engineering sector in Hong Kong. With our broadened business base and quality track record, supported by our dedicated and enthusiastic teams, we believe that the Group will progress forward in a sustainable manner.

During the year, both the television broadcasting business and large outdoor display screen advertisement business continued to make steady progress. 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 broadcasting business with broadcasting network of television channels having a relatively extensive scale. Currently, expanding its commercial base from the television platform to large outdoor display screen platform and other media platforms, in an attempt to keep up with global trends. It has been a vital element of the Group's long-term strategy and also developed a more balanced and comprehensive business model. In the meantime, the Group will further develop its television broadcasting business and large outdoor display screen advertisement business which, with a devoted team, are expected to generate satisfactory return to the Company and its Shareholders in the long run.

In order to maintain strong and competitive in the midst of the business growth, the Group will continue to focus on strengthening the business model and positioning to increase the market share in domestic and international competitors. Apart from the current businesses, the Group will actively seek for investment opportunities, 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

11 June 2014

Management Discussion and Analysis

BUSINESS REVIEW

The Group is principally engaged in the provision of waterworks engineering services for the public sector in Hong Kong, television broadcasting business in the Asia-Pacific region (excluding the PRC) in return for advertising and related revenue and large outdoor display screen advertisement business in the PRC. During the year ended 31 March 2014, the Group continued to focus on rendering waterworks engineering services to the public sector in Hong Kong and further develop its television broadcasting business in the Asia-Pacific region (excluding the PRC) and large outdoor display screen advertisement business in the PRC.

Provision of waterworks engineering services

During the year ended 31 March 2014, the Group has been undertaking three main contracts and six subcontracts. Among the nine contracts, six are related to provision of waterworks engineering services and the 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–Feb 2014	
8/WSD/11	Construction of Pak Shek Kok Fresh Water Service Reservoir Extension	WSD	Dec 2011–May 2014	**Total contract value** HK$1,805.9 million
3/WSD/13	Mainlying near She Shan Tsuen, Tai Po	WSD	Sept 2013–Jul 2016	**Total amount of works certified** *(Note)* HK$931.8 million
Subcontracts				
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–Oct 2014	

Contract number	Particulars of contract	Client	Contract period under main contracts
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
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–Dec 2017
DC/2012/07	Lam Tsuen Valley Sewerage – village sewerage, stage 2, phase 1	Hsin Chong Tsun Yip Joint Venture	Oct 2012–Jan 2016
DC/2012/08	Lam Tsuen Valley Sewerage – village sewerage, stage 2, phase 2	Hsin Chong Tsun Yip Joint Venture	Oct 2012–Aug 2016
5/WSD/13	Replacement and rehabilitation of water mains, stage 4 phase 1 and stage 4 phase 2 – mains in northern and eastern New Territories	Hsin Chong Tsun Yip Joint Venture	Nov 2013–Feb 2016

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

Among the above nine contracts, one main contract (contract numbered 3/WSD/13) and one subcontract (contract numbered 5/WSD/13) were newly awarded during the year ended 31 March 2014.

During the year ended 31 March 2014, the two contracts with contracts numbered 8/WSD/10 and DC/2012/07 were the main contributors to the Group's revenue, which generated approximately HK$134.8 million and HK$41.3 million, constituting approximately 41.6% and 12.7% of the Group's total revenue respectively.

Television broadcasting business

The Group's news coverage and television programmes place itself in a unique position among the television broadcasters worldwide. Currently, it is broadcasting the television programmes relating to information contents from Xinhua News Agency in Hong Kong, Macau, Thailand, New Zealand, Mongolia, Malaysia, Laos and Australia. During the year ended 31 March 2014, the Group has entered into three cooperation agreements and a memorandum of understanding with local television service suppliers in Hong Kong, New Zealand, Australia and Thailand respectively so as to further expand the coverage of China Xinhua News Network Channel and China Xinhua News Network World Channel (collectively the"CNC Channels"). In addition to Chinese and English language, the Group will provide certain television programmes which are translated to Thai language and broadcasted in Thailand in order to expand the viewership in countries of different languages. By entering into these cooperation agreements and memorandum of understanding, the Directors consider it will improve the utilisation efficiency of the advertising time of the respective channel, which will in turn bolster the Company's capability in executing commercial advertising and benefit the Shareholders as a whole. The Group is actively seeking cooperation opportunities with strategic partners and giving customers a unique viewing experience, and expansion beyond Hong Kong.

With the great success of television programmes "Hong Kong, Hong Kong" and "Hong Kong Voice Express", the Company has produced a documentary television feature programme "ICAC" for the purpose of marking the 40th anniversary of Hong Kong's Independent Commission Against Corruption during the year ended 31 March 2014. "ICAC" has been broadcasted in February 2014 through the CNC Channels, Now TV Channel No. 369 of PCCW Media Limited and TVB news channel of Television Broadcasts Limited and LETV platform and received good responses from the audience. Two documentaries produced by the Company "ICAC" and "Hong Kong, Hong Kong", have been nominated for a television documentary award in the 27th China TV Golden Eagle Award. In the future, the Group will continue to produce information contents according to different social themes.

The Group's television broadcasting business has been strongly supported by its Shareholder, Xinhua News Agency. On 22 July 2013, the Company and CNC China, entered into a channel resources usage framework agreement (the "CRU Framework Agreement"), pursuant to which CNC China and/or its subsidiaries will procure the sale of advertising resources on the television channels controlled by the Company to independent third party clients for advertising revenue. The CRU Framework Agreement will have a term of 3 years ending on 31 March 2016. In order to implement the CRU Framework Agreement, on 22 July 2013, Xinhua TV Asia-Pacific entered into the channel resources usage agreements with CNC China, pursuant to which Xinhua TV Asia-Pacific agreed to provide advertising resources on its television channels for broadcasting advertisements of the Ministry of Commerce of the PRC ("MOFCOM") Department of Foreign Investment Administration (商務部外國投資管理司) (the "MOFCOM CRU Agreement") and Yibin Wuliangye Liquor Sales Co., Ltd. (the "Wuliangye CRU Agreement") respectively. Both MOFCOM CRU Agreement and Wuliangye CRU Agreement became effective on 22 July 2013 and will end on 31 March 2016. As such, the Directors consider that the entering into of the MOFCOM CRU Agreement and the Wuliangye CRU Agreement can utilise its broadcasting network of television channels so as to safeguard stability and security of the continuing operation of the Group's advertising business.

Nevertheless, the Group still recorded a loss in this business segment for the year ended 31 March 2014. In April 2014, the Company has issued certain profit warning announcements and informed the public that impairment loss in respect of goodwill and intangible assets as well as provision of doubtful debts regarding this segment would have a significant impact on the Group's result. Despite the fact that the Group's television broadcasting business continued to make steady progress as compared with previous year, the television broadcasting business of the Group is still under development and in the process of adjusting its business to cope with the challenging business conditions. It has not yet brought in satisfactory return to the Group since its acquisition in year 2011. Certain assets, such as certain trade receivable, goodwill and television broadcasting right relating to this segment have been impaired in the current year for the sake of this reason.

Large outdoor display screen advertisement business

Since mid of 2012, the Group has aimed to develop the large outdoor display screen advertisement business in the PRC. During the year ended 31 March 2014, the Group has constructed and installed LED displays in Sichuan Chengdu, Jiangsu Xuyi and Jiangsu Kunshan. In addition, the networked LED control platform in which the LED displays can be managed and connected through a centralized network, has been set up. Despite the escalating market competition, the Group has started to generate advertising revenue from advertising agents in relation to the broadcasting of commercial advertisements on large outdoor display screens in Sichuan Chengdu and Jiangsu Xuyi for the year ended 31 March 2014. Going forward, the Group will continue to negotiate with potential customers, including but not limited to commercial real estate developers, PRC government authorities and other potential partners for cooperation in order to balance the risk and return of this competitive segment.

To further develop the large outdoor display screen advertisement business in the PRC, the Company has incorporated a wholly-owned subsidiary, which is principally engaged in advertising business in Qianhai, Shenzhen. Through the establishment of a company in Qianhai, the Company can tap into the vast advertisement market in the PRC. Companies setting up in Qianhai can enjoy various favourable policies, including the advantages in the aspects of financial service, finance and taxation, human resources policies, regulations and telecommunication. The Directors consider that incorporating a company in Qianhai and leveraging as a Guangdong/Hong Kong cooperation platform helps to enhance the Company's allocation of resources in order to strengthen the development of its business in the Greater China market.

FINANCIAL REVIEW

Revenue

For the year ended 31 March 2014, the Group reported a revenue of approximately HK$324.3 million (2013: approximately HK$293.0 million), representing an increase of approximately 10.7% as compared with that for the previous year. The revenue derived from provision of waterworks engineering services, television broadcasting business and large outdoor display screen advertisement business constituted approximately 93.5%, 5.2% and 1.3% of the Group's total revenue respectively. The higher revenue was mainly due to the increase in works from Sewerage in Kau Lung Hang San Wai, Kau Lung Hang Lo Wai and Tai Hang (contract numbered DC/2012/04) and Lam Tsuen Valley Sewerage – village sewage, stage 2, phase 1 and phase 2 (contract number DC/2012/07 and DC/2012/08) and commencement of several contracts. For the year ended 31 March 2014, the Group derived advertising revenue of approximately HK$16.9 million (2013: approximately HK$11.8 million) from television broadcasting business and approximately HK$4.0 million (2013: nil) from large outdoor display screen advertisement business respectively.

During the year ended 31 March 2014, 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			
	2014		2013	
	HK$'000	% of total	HK$'000	% of total
Main contractor	15,076	5.0	47,124	16.8
Subcontractor	245,035	80.8	221,953	78.9
Jointly controlled operations	43,273	14.2	12,166	4.3
Total	303,384	100.0	281,243	100.0

Cost of services

The Group's cost of services increased by approximately 10.5% to approximately HK$274.2 million (2013: approximately HK$248.3 million) for the year ended 31 March 2014 as compared with that for the previous year. The Group's cost of services mainly includes costs of construction services, costs of television broadcasting business and direct costs attributable to large outdoor display screen advertisement business. Costs of construction services mainly comprise raw materials, direct labour and subcontracting fee for services provided by the subcontractors. Costs of television broadcasting business mainly comprise transmission costs and broadcasting fee. Transmission costs comprise satellite transmission fee and carriage fee payable to satellite operator while broadcasting fee comprises annual fee payable to media broadcasting providers and China Xinhua NNC. Direct costs attributable to large outdoor display screen advertisement business mainly comprise depreciation charges of LED display screens and control room. The following table sets out a breakdown of the Group's cost of services:

	For the year ended 31 March			
	2014		2013	
	HK$'000	% of total	HK$'000	% of total
Costs of construction services				
Raw materials	30,915	11.3	19,373	7.8
Direct labour	62,335	22.7	52,371	21.1
Subcontracting fee	108,850	39.8	125,081	50.4
Other direct costs	62,571	22.8	44,717	18.0
Subtotal	264,671	96.6	241,542	97.3
Costs of television broadcasting business				
Transmission costs	2,500	0.9	2,500	1.0
Broadcasting fee	5,861	2.1	4,210	1.7
Subtotal	8,361	3.0	6,710	2.7
Direct costs attributable to large outdoor display screen advertisement business	1,199	0.4	–	–
Subtotal	1,199	0.4	–	–
Total	274,231	100.0	248,252	100.0

Gross profit

The gross profit of the Group for the year ended 31 March 2014 increased by approximately 11.9% to approximately HK$50.1 million (2013: approximately HK$44.8 million) as compared with that for the previous year. The gross profit margin of the Group amounted to approximately 15.4% for the year ended 31 March 2014 (2013: approximately 15.3%), which was almost the same as that of the previous year. The increase in gross profit was largely as a consequence of higher revenue derived for the year.

Other income

The Group's other income for the year ended 31 March 2014 increased by approximately 7.4% to approximately HK$31.0 million (2013: approximately HK$28.8 million) as compared with that for the previous year. The increase was mainly attributable to the increase in waiver of convertible notes interests from the noteholders during the year.

Other gains and losses

The Group's other gains and losses for the year ended 31 March 2014 amounted to approximately HK$ 3.3 million in deficit (2013: approximately HK$0.5 million in surplus). The decrease in other gains and losses was mainly attributable to the net fair value changes on financial assets at fair value through profit or loss during the year.

Amortisation expenses

The Group's amortisation expenses for the year ended 31 March 2014 decreased by approximately 1.7% to approximately HK$ 59.5 million (2013: approximately HK$60.5 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.

Selling and distribution expenses

The Group's selling and distribution expenses for the year ended 31 March 2014 amounted to approximately HK$85,000 (2013: approximately HK$423,000). 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 2014 increased by approximately 7.6% to approximately HK$29.7 million (2013: approximately HK$27.6 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 increase in the administrative expenses was mainly attributable to the increase in staff costs and depreciation expenses of head office due to the expansion of business.

Finance costs

The Group's finance costs for the year ended 31 March 2014 increased by approximately 1.5% to approximately HK$42.0 million (2013: approximately HK$41.4 million) as compared with that for the previous year. The finance costs mainly consisted of interest expenses on the promissory note and convertible notes.

Impairment loss recognised in respect of goodwill and intangible assets

During the year ended 31 March 2012, the Group entered into a sale and purchase agreement with China Xinhua NNC, APT Satellite TV Development Limited and Proud Glory to acquire entire equity interest of Xinhua TV Asia-Pacific at an aggregate consideration of approximately HK$700.0 million, comprising (a) issuance of 474,335,664 Shares to China Xinhua NNC at HK$0.196 per share; and (b) HK$607,030,210 by way of the issue of the convertible notes to China Xinhua NNC, Proud Glory and APT Satellite TV Development Limited at a conversion price of HK$0.196 per Share. The Group completed its very substantial acquisition (the "Acquisition") of the entire equity interest in Xinhua TV Asia-Pacific on 9 December 2011 and commenced the television broadcasting business since then.

Although the television broadcasting business continued to make steady growth and progress when compared with previous years, it is still under development and far behind the development schedule as expected. It has not yet brought in satisfactory return to the Group since the Acquisition. The Group generated its first revenue from television broadcasting business during the year ended 31 March 2013.

The recoverable amount of Xinhua TV Asia-Pacific was determined with reference to a valuation conducted by an independent valuer, based on income-based approach, after considering the financial information of Xinhua TV Asia-Pacific as at 31 March 2014, including but not limited to (i) the financial position of Xinhua TV Asia-Pacific and its subsidiaries as at 31 March 2014; (ii) the total revenue derived from television broadcasting business; (ii) number of existing contracts and memorandum of understanding; and (iv) the market and industry condition. Due to the unsatisfactory results in these years and relatively slow development pace of television broadcasting business, the Directors consider that major inputs regarding revenue are adjusted downwards to reflect the current situation for prudence sake. Except aforesaid, to the best of knowledge and belief of the Directors, there has not been any change of valuation methodology, basis of valuation and assumptions as at 31 March 2014 and no other changes in circumstance and reasons giving rise to changes in valuation approach. All changes of inputs were made to reflect the recent development of television broadcasting business as compared to that expected in previous years.

As such, the recoverable amount of Xinhua TV Asia-Pacific was amounted to approximately HK$163.0 million and the impairment loss, which arose from the difference between the aggregate carrying amounts of goodwill and intangible assets and the recoverable amount of entire equity interest in Xinhua TV Asia-Pacific as at 31 March 2014, of approximately HK$151.2 million and approximately HK$269.3 million is recognised in respect of goodwill and intangible assets for the year ended 31 March 2014.

Net loss

The net loss attributable to owners of the Company for the year ended 31 March 2014 increased by 2.7 times to approximately HK$431.3 million (2013: approximately HK$116.2 million) as compared with that for the previous year. The increase in net loss was mainly resulted from the impairment loss in respect of goodwill, intangible assets and trade receivables for the year.

Loss per Share

The basic loss per Share for the year ended 31 March 2014 was approximately HK25.14 cents (2013: approximately HK6.94 cents).

PROSPECTS

During the year ended 31 March 2014, the respective established brandnames of the Group are given full play in our vigorously developed three main businesses, namely provision of waterworks engineering services, television broadcasting business and large outdoor display screen advertisement business. Although the Group has incurred a significant loss due to unsatisfactory performance regarding the television broadcasting business, the Directors are of confident that the Group's business strategy has the capacity to operate very effectively in the current economic environment and develop new areas of business while the provision of waterworks engineering services will continue to contribute stable revenue to the Group. In addition to television and LED platforms, the Group has been growing its advertising base through mobile and other platforms and diversified its business to video broadcasting business in the Greater China region. Upon the launch of video broadcasting business, the Directors expect that, in addition to the television broadcasting business and large outdoor display screen advertisement business, it will be another key driver of our future revenue growth. The Group's overall business diversification and flexibility strategy enhances the Group's image in a positive manner and suggests that the Group's future prospects remain positive.

Provision of waterworks engineering services

The Group's waterworks engineering services remains the major source of revenue of the Group. The performance of the Group's waterworks engineering 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 had 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 had commenced in January 2012 and will be completed in 2015. About 350 kilometres of water mains will be replaced and rehabilitated at this stage.

The outlook for the construction industry in Hong Kong remains optimistic. Not only will the R&R Programme launched by WSD continue 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 9 September 2013, the Group has obtained a new main contract of mainlaying near She Shan Tsuen, Tai Po (contract numbered 3/WSD/13) with total contract sum of approximately HK$75.0 million. On 20 November 2013, the Group and Hsing Chong Construction Company Limited have jointly obtained a new main contract of R&R Programme, stage 4 phase 1 and stage 4 phase 2 – mains in northern and eastern New Territories (contract numbered 5/WSD/13) with total contract sum of approximately HK$433.3 million. 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 contracts in Hong Kong and to further scale up the Group's business. The Group will continue to seek improvements in cost-savings, production efficiency and Group profitability and identify opportunities for joint ventures or strategic alliances in a bid to drive its strategy of vertical as well as horizontal expansion.

Television broadcasting business

Drawing on the brand name of and backup from 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. In addition to increasing in coverage by looking for cooperation with media providers in different countries, the Group maintained good relationship with those television service providers that are currently working with. Looking forwards, the Group will actively adjust the current business mode and negotiate the new cooperation mode with the media providers, including new and existing partners in order to balance the interests of all parties be bundled together to form a stable long-term partnership, with a view to broadening our market reach and enhancing our profitability.

Currently, the Group has enriched the content of "Hong Kong Voice Express" by integrating the programmes with entertainment and sports news in Hong Kong in order to reflect and keep track of current move in Hong Kong. The revised edition of "Hong Kong Voice Express" has been broadcasted in April 2014.

The Group will continue to put effort into expand this segment. By 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 additional advertising and related revenue to the Group in the future. The Directors believe that the Group's broadcasting scope will be extended to more countries as time progresses. Towards this end, the Company entered into the MOFCOM CRU Agreement and the Wuliangye CRU Agreement in mid of 2013 which will bring and boost the advertising revenue of the Company. This strategic move of stepping forward into this segment will broaden our base of profit-generating businesses.

Large outdoor display screen advertisement business

The Directors believe that the large outdoor display screen advertisement business would be a new direction for the Group. Upon completion of construction and installation of LED displays in Sichuan Chengdu, Jiangsu Xuyi and Jiangsu Kunshan, the Group aims at constructing more LED displays in other PRC cities, including Nanjing and Yangzhou and preliminary site reconnaissance work has been completed.

By leveraging on the brand name of Xinhua News Agency, the Group could save brand development and marketing costs in promoting the large outdoor display screen advertisement business. Except for the current business model, the Group will identify and grasp opportunities for joint ventures or strategic alliances in order to increase the effectiveness on cost-saving and seek for higher profit growth. The Group will continue to negotiate with potential commercial real estate developers, PRC government authorities and other potential partners to boost up the development of this business segment and increase its market share in the PRC. The Directors believe that such endeavour, coupled with the Group's growing advertising capability, will enable the Group to further diversify its advertising business. The Group will continue reposition itself and will strive to bring modest growth in both revenue, earnings and reputation to the Shareholders in the coming future.

Video broadcasting business

On 27 December 2013, the Group entered into a licence agreement (the "Licence Agreement") with The Associated Press (the "AP"), pursuant to which the Group and AP will work together to create and launch a Greater China market video service for the mobile platforms of three China national telecommunication operators. The Group, in close working consultation with AP, would license selected Sports News Television sports news video, AP technology news video, AP horizons video and AP archive video, and distribute such videos via the video platforms of the telecommunication operators to the mobile phone users in the PRC, Hong Kong and Macau. Such videos cover selected matches from NBA, NHL, PGA, soccer, tennis, etc. and details of the Licence Agreement were set out in the announcement of the Company dated 27 December 2013. The Directors believe that the entering into of the Licence Agreement will help enhance the contents currently broadcasted by the Company and the means by which such contents are distributed can be diversified into mobile platforms which will further strengthen our presence in the fast expanding Greater China market and in turn attract additional advertisement revenue.

The Group will cautiously seek to capture suitable market opportunities, explore new business opportunity to broaden its source of income and expand the business operations and in turn, maximise the Shareholders' returns.

CAPITAL STRUCTURE

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

Total equity attributable to owners of the Company amount to approximately HK$407.9 million in deficit as at 31 March 2014 (31 March 2013: approximately HK$36.1 million). The increase in deficit was mainly resulted from the net loss suffered by the Group during the year as a result of impairment loss in respect of goodwill, intangible assets and trade receivables in an aggregate of approximately HK$430.0 million.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 March 2014, the Group generally financed its operations through internally generated cash flows.

As at 31 March 2014, the Group had net current liabilities of approximately HK$583.1 million (31 March 2013: net current assets of approximately HK$16.5 million), including cash balance of approximately HK$20.6 million (31 March 2013: approximately HK$36.2 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 0.18 as at 31 March 2014 (31 March 2013: approximately 1.19). The incurrence of net current liabilities and decrease in current ratio were primarily due to higher trade and other payables as a result of more business activities and business development and the current obligation of redemption of promissory note and convertible notes on their maturity dates being 11 August 2014 and 8 December 2014 respectively.

GEARING RATIO

The gearing ratio, which is based on the total amount of borrowings, promissory note, convertible notes, finance lease payables and advance received from customers divided by total assets, was 178.8% as at 31 March 2014 (31 March 2013: approximately 82.8%). The increase was resulted from the decrease in total assets due to impairment loss in respect of goodwill and intangible assets for the year.

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. During the year ended 31 March 2014, 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 banks.

CAPITAL COMMITMENT

As at 31 March 2014, the Group had an outstanding commitment of approximately HK$3.5 million in respect of acquisition of property, plant and equipment. Save as aforesaid, the Group did not have any significant capital commitments (31 March 2013: approximately HK$10.7 million).

CHARGES ON THE GROUP'S ASSETS

The Group's machineries and motor vehicles with net book values as at 31 March 2014 amounted to approximately HK$1.4 million (31 March 2013: nil) and HK$8.6 million (31 March 2013: approximately HK$7.5 million) was held under finance lease. As at 31 March 2014, the Group pledged its machinery and motor vehicles with net book values of approximately HK$78,000 million (31 March 2013: approximately HK$0.3 million) and approximately HK$1.8 million (31 March 2013: approximately HK$3.6 million) respectively as securities for its performance of obligations as a sub-contractor of the R & R Programme, Stage 4, Phrase 1 – Mains in Tuen Mun, Yuen Long, North District and Tai Po.

CONTINGENT LIABILITIES

As at 31 March 2014, the Group did not have any material contingent liabilities (31 March 2013: Nil).

INFORMATION ON EMPLOYEES

As at 31 March 2014, the Group had 270 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 2014 amounted to approximately HK$72.7 million (2013: approximately HK$62.0 million), representing an increase of approximately 17.4% 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 2014, the Group held a 17% equity interest in the issued share capital of China New Media (HK) Company Limited as a long term investment.

Except for investment in subsidiaries and the investment as disclosed above, during the year ended 31 March 2014 and as at the end of the reporting period, the Group did not hold any significant investment in equity interest in any company.

Subsequent to end of the reporting period, the Group has disposed of 17% equity interest in the share capital of China New Media HK) Company Limited to an independent third party at a consideration of HK$400,000.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 March 2014, 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 2014, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

Biographical Details of Directors

DIRECTORS

Executive Directors

Mr. Wu Jin Cai (吳錦才), aged 51, 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 51, 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 17 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 was deputy chairman and executive director of Rising Development Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1004) since 31 August 2007. He was designated as chairman and chief executive officer from 10 March 2010 to 6 August 2013 and was re-designated as executive director from 6 August 2013 to 27 January 2014. 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 45, 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 49, 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 Kar Hin, Eric John (謝嘉軒), aged 44, 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 43, 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 46, 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. Jin Hai Tao (靳海濤), aged 60, 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 2014.

Mr. Wong Chung Yip, Kenneth (王忠業先生), aged 46, has been appointed by the Company as the independent non-executive Director on 16 December 2013. Mr. Wong graduated with professional diploma in accountancy from Hong Kong Polytechnic in 1990 and obtained a degree of bachelor of law from Peking University in the PRC in 1998 and a degree of master of science from The Chinese University of Hong Kong in 1999. Mr. Wong has extensive experience in auditing, accounting and corporate finance. Mr. Wong is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Wong previously worked at one of the reputable international accounting firms for six years and also worked in Hong Kong Exchanges and Clearing Limited for over 13 years with last position as senior manager of the Listing Division of Hong Kong Exchanges and Clearing Limited. Mr. Wong worked in a financial service institution licensed by the Securities and Futures Commission as vice president of corporate finance division for about four years. In the last three years, Mr. Wong 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 2014.

Mr. Hau Chi Kit (侯志傑), aged 42, graduated from University of Oregon, the United States of America, with a bachelor of science in economics in 1994, passed a common professional examination in College of Law, Guildford, the United Kingdom, in 1999 and obtained a postgraduate certificate in laws from The University of Hong Kong in 2000. During the period from 2002 to 2008, Mr. Hau practiced as a barrister-at-law in Hong Kong. Prior to becoming a barrister, Mr. Hau worked at the Securities and Futures Commission. Currently, Mr. Hau is a solicitor in private practice. Mr. Hau has been appointed as the independent non-executive director of China Zenith Chemical Group Limited (a company listed on the Main Board of the Stock Exchange, stock code: 362) and eForce Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 943) on 18 December 2013 and 7 March 2014 respectively. Save as disclosed above, Mr. Hau did not hold any directorships in any other listed public companies in 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 2014.

Mr. Chu Siu Lun, Ivan (朱兆麟), aged 32, graduated from Bolton Institute of Higher Education (now the University of Bolton) with a bachelor of arts in business studies in 2004. Mr. Chu is an associate of Institute of Financial Accountants. Mr. Chu has over four years of experience in finance and accounting advisory. He is a director of HUDA Asia Investments Limited since September 2007. In the last three years, Mr. Chu did not hold any directorships in any listed public companies. He has not, by himself or through his firm in which he practices, provided professional services to the Company during the year ended 31 March 2014.

Corporate Governance Report

The Board hereby presents this corporate governance report for the year ended 31 March 2014.

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 2014, except for paragraphs A.2.7 and A.6.7 of the Code. This report further illustrates in detail as to how the Code was applied, inclusive of the considered reasons for any deviation throughout the year ended 31 March 2014.

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 year ended 31 March 2014. The Company was not aware of any non-compliance in this respect throughout the year ended 31 March 2014.

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;

- approval of matters in relation to Board membership and Board remuneration;
- review of the existing policies of the Company on corporate governance;
- review of the coverage of knowledge and skills of the training sessions arranged for the Directors and senior management by the Company;
- evaluated the effectiveness of internal safeguard procedure for overseeing timely disclosure of material inside information and perseverance of its confidentiality;
- monitor the compliance of code of conduct by the Directors and relevant employees of the Group; and
- review of the Company's compliance with the Code and disclosure in this report.

Composition of the Board

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. Biographical details of the Directors are set out in the "Biographical Details of Directors" section on pages 24 to 27 of this report. The composition of the Board is set out as follows:

Executive Directors
Mr. Wu Jin Cai *(Chairman)*
Dr. Lee Yuk Lun *(Vice Chairman)*
Mr. Zou Chen Dong *(Chief Executive Officer)*
Mr. Kan Kwok Cheung
Mr. Chia Kar Hin, Eric John

Non-Executive Directors
Mr. Li Yong Sheng
Ms. Liang Hui

Independent Non-Executive Directors
Mr. Jin Hai Tao
Mr. Wong Chung Yip, Kenneth *(appointed on 16 December 2013)*
Mr. Hau Chi Kit
Mr. Chu Siu Lun, Ivan
Mr. Chan Hon Yuen *(resigned on 10 December 2013)*

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.

Management functions delegated by the Board

The Board has delegated the responsibilities of the execution of strategies and decision making for day-to-day operation and administration functions of the Company to the management team headed by the chief executive officer. The Board has set out guidelines for management team as to when final authority should rest with the Board and its prior approval should be obtained before making decisions or entering into any commitments; issue of such include but not limited to any proposed notifiable transactions, connected transactions, significant investments, major business decisions related to operation and business strategy, change of key management of the Group and disclosure of inside information.

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. The appointment of executive Directors will continue thereafter until terminated by either party giving not less than three months' prior written notice to the other or the payment of three month salary in lieu of notice.

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.

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 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.

Independent Non-executive Directors

Under Rule 5.05A of the GEM Listing Rules, the Company should appoint independent non-executive Directors representing at least one-third of the Board. On 10 December 2013, Mr. Chan Hon Yuen has resigned as an independent non-executive Director. Following the resignation of Mr. Chan Hon Yuen, the number of independent non-executive Directors has fallen below the minimum number required under Rule 5.05A of the GEM Listing Rules. Following the appointment of Mr. Wong Chung Yip, Kenneth on 16 December 2013, the Board now consists of eleven members, comprising five executive Directors, two non-executive Directors and four independent non-executive Directors, with the number of independent non-executive Directors representing one-third of the Board. Hence, the requirement under Rule 5.05A of the GEM Listing Rules has been complied with.

Paragraph A.2.7 of the Code provides that the chairman should at least annually hold meetings with the non-executive Directors and independent non-executive Directors without the executive Directors present. Although the chairman did not hold a meeting with the non-executive Directors and independent non-executive Directors during the year ended 31 March 2014, he delegated the company secretary to gather any concerns and/or questions that the non-executive Directors and independent non-executive Directors might have and report to him for setting up follow-up meetings, whenever necessary, in due course.

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.

Relation of the Board Members

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

Meetings of the Board

During the year ended 31 March 2014, the Board had convened total nine meetings, four of which are in regular nature. The attendance record of individual Directors at the Board and committees' meetings and general meetings are set out in page 35 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 paragraph 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 as below:

	Self-learning	Attend training seminar	Induction
Executive Directors			
Mr. Wu Jin Cai	✓	✓	
Dr. Lee Yuk Lun	✓	✓	
Mr. Zou Chen Dong	✓	✓	
Mr. Kan Kwok Cheung	✓	✓	
Mr. Chia Kar Hin, Eric John	✓	✓	
Non-executive Directors			
Mr. Li Yong Sheng	✓	✓	
Ms. Liang Hui	✓	✓	
Independent non-executive Directors			
Mr. Jin Hai Tao	✓	✓	
Mr. Wong Chung Yip, Kenneth *(appointed on 16 December 2013)*	✓	✓	✓
Mr. Hau Chi Kit	✓	✓	
Mr. Chu Siu Lun, Ivan	✓	✓	
Mr. Chan Hon Yuen *(resigned on 10 December 2013)*	✓	✓	

Directors' and officers' liability insurance and indemnity

Appropriate insurance cover on Directors' and officers' liabilities has been provided by the Company to cover potential legal actions against Directors and senior officers.

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 C.3.3 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. Wong Chung Yip, Kenneth *(Chairman) (appointed on 16 December 2013)*
Mr. Jin Hai Tao
Mr. Hau Chi Kit
Mr. Chu Siu Lun, Ivan
Mr. Chan Hon Yuen *(resigned on 10 December 2013)*

Non-executive Directors
Mr. Li Yong Sheng
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 2013, the interim results for the six months ended 30 September 2013, the third quarterly results for the nine months ended 31 December 2013 and the annual results for the year ended 31 March 2014 and is of the opinion that the preparation of such results complied with the applicable accounting standards and that adequate disclosures have been made.

Under Rule 5.28 of the GEM Listing Rules, the Audit Committee must be chaired by an independent non-executive Director. On 10 December 2013, Mr. Chan Hon Yuen has resigned as an independent non-executive Director and chairman of the Audit Committee. Following the resignation of Mr. Chan Hon Yuen, there is a vacancy for chairman of the Audit Committee as required under Rule 5.28 of the GEM Listing Rules. Upon the appointment of Mr. Wong Chung Yip, Kenneth as chairman of the Audit Committee on 16 December 2013, the requirement under Rule 5.28 of the GEM Listing Rules has been complied with.

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. Jin Hai Tao
Mr. Wong Chung Yip, Kenneth *(appointed on 16 December 2013)*
Mr. Hau Chi Kit
Mr. Chu Siu Lun, Ivan
Mr. Chan Hon Yuen *(resigned on 10 December 2013)*

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 2014, the Nomination Committee had convened two meetings to consider the appointment of Mr. Wong Chung Yip, Kenneth as an independent non-executive Director and suitable candidate as senior management of the Company.

Board diversity policy

The Company has adopted the board diversity policy on 30 August 2013 with a view to achieving a sustainable and balanced development of the Group. The Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development.

In designing the Board's composition, the board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

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)*
Mr. Wong Chung Yip, Kenneth *(appointed on 16 December 2013)*
Mr. Hau Chi Kit
Mr. Chu Siu Lun, Ivan

Non-executive Director
Ms. Liang Hui

During the year ended 31 March 2014, the Remuneration Committee had convened two 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. Draft and final versions of minutes of regular board meetings are circulated to all Directors for their comment and records respectively. All Directors are kept informed in a timely manner of major changes that may affect the Group's businesses, including relevant rules and regulations. The Board also understands where potential conflicts of interests arise, the independent non-executive Directors shall take the lead in discussing the relevant transactions being contemplated when there is a Director or any of his associates having a material interest in the transactions and shall abstain from voting.

Details of the Directors' attendance at Board and committees' meetings and general meeting for the year ended 31 March 2014 are set out below:

	Board	Audit Committee	Nomination Committee	Remuneration Committee	General meeting
Number of meetings	9	4	2	2	1
Executive Directors					
Mr. Wu Jin Cai	8/8 *(Note)*	–	2/2	–	0/1
Dr. Lee Yuk Lun	9/9	–	–	–	0/1
Mr. Zou Chen Dong	8/8 *(Note)*	–	–	–	1/1
Mr. Kan Kwok Cheung	9/9	–	–	–	1/1
Mr. Chia Kar Hin, Eric John	9/9	–	–	–	1/1
Non-executive Directors					
Mr. Li Yong Sheng	7/8 *(Note)*	4/4	–	–	0/1
Ms. Liang Hui	6/8 *(Note)*	3/4	1/2	1/2	0/1
Independent non-executive Directors					
Mr. Jin Hai Tao	8/9	4/4	2/2	2/2	1/1
Mr. Wong Chung Yip, Kenneth *(appointed on 16 December 2013)*	3/3	1/1	1/1	–	–
Mr. Hau Chi Kit	8/9	4/4	2/2	2/2	0/1
Mr. Chu Siu Lun, Ivan	9/9	4/4	2/2	2/2	1/1
Mr. Chan Hon Yuen *(resigned on 10 December 2013)*	5/5	3/3	–	–	1/1
Average attendance rate	95.0%	96.4%	91.7%	87.5%	54.5%

Note: These Directors were required to abstain from voting at one of the Board meetings as they have material interests in relation to the transactions contemplated and discussed.

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 GEM 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 52 and 53 of this report.

AUDITORS' REMUNERATION

The remuneration in respect of audit and non-audit services provided by the Company's auditor, during the year ended 31 March 2014 is analysed as below:

Type of services provided by the external auditors	Remuneration HK$'000
Audit services	680
Non-audit services:	
Agreed upon procedures	487
Total	1,167

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 2014, the Company has reviewed the effectiveness of the Group's internal control system.

COMPANY SECRETARY

Ms. Li Yuet Tai (李月弟), aged 31, joined in the Company in September 2011 as assistant to chief financial officer and re-designated as company secretary on 1 June 2012. 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.

The company secretary took more than 15 hours' professional training for the year ended 31 March 2014. 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, as delegated by the Chairman, 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 of the Company at the time of deposit of the requisition and carrying the voting right 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.

4. Communications with Shareholders

The Board believes that regular and timely communication with Shareholders forms part of the Group's effort to help our Shareholders to understand our business better. Copies of the annual reports, quarterly reports and interim reports of the Company are distributed to its Shareholders in accordance with statutory and regulatory requirements and also to interested parties recorded in the Company's mailing lists. The publications of the Company, including financial reports, circulars and announcements, are also available on the Company's website.

The Company acknowledges that general meetings are good communication channel with the Shareholders. At the general meeting, each substantially separate issue is considered by a separate resolution, including election of individual Directors, and the poll procedures are clearly explained. Paragraph A.6.7 of the Code requires that independent non-executive directors and non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Two executive Directors, namely Mr. Wu Jin Cai and Dr. Lee Yuk Lun, two non-executive Directors, namely Mr. Li Yong Sheng, Ms. Liang Hui and an independent non-executive Director, namely Mr. Hau Chi Kit did not attend the annual general meeting of the Company held on 26 July 2013 due to overseas commitment and pre-arranged business engagements. Other Board members, the chairmen of the relevant Board committees and the external auditor of the Company also attended the annual general meeting to inter-face with, and answer questions from the Shareholders. The attendance of the Directors at the annual general meeting of the Company is set out on page 35 of this report.

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 2014. Information on our website will be updated on a regular basis.

The Directors are pleased to present this annual report together with the Financial Statements for the year ended 31 March 2014.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and is engaged in provision of management services, television broadcasting business and large outdoor display screen advertisement business. Its subsidiaries are principally engaged in the provision of waterworks engineering services for the public sector in Hong Kong and television broadcasting business in the Asia-Pacific Region (excluding the PRC). In the current year, the Group has committed to develop its large outdoor display screen advertisement business in the PRC.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 March 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 54 of this report.

The Board does not recommend the payment of a final dividend for the year ended 31 March 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 29 July 2014 to Thursday, 31 July 2014, 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 level 22, Hopewell Centre, 183 Queens's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 28 July 2014.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and the Company during the year are set out in note 18 to the Financial Statements.

SHARE CAPITAL

Details of the movements in the Company's share capital during the year are set out in note 37 to the Financial Statements.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 58 of this report and note 38 to the Financial Statements.

DONATIONS

During the year ended 31 March 2014, the Group made the charitable donations amounting to approximately HK$0.6 million.

DISTRIBUTABLE RESERVES

As at 31 March 2014, 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$411.7 million in deficit.

CONVERTIBLE NOTES

Details of the convertible notes of the Company are set out in note 35 to the Financial Statements.

FINANCIAL SUMMARY

A summary of the Group's results and financial position for the last five financial years is set out on page 140 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 2014 is as follows:

Revenue

The largest customer	43.8%
Five largest customers in aggregate	93.5%

Subcontracting costs

The largest subcontractor	41.7%
Five largest subcontractors in aggregate	80.4%

Purchases of raw materials *(Notes)*

The largest supplier	23.1%
Five largest suppliers in aggregate	60.2%

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 2014 are set out in note 30 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)*
Mr. Zou Chen Dong *(Chief Executive Officer)*
Mr. Kan Kwok Cheung
Mr. Chia Kar Hin, Eric John

Non-Executive Directors
Mr. Li Yong Sheng
Ms. Liang Hui

Independent Non-Executive Directors
Mr. Jin Hai Tao
Mr. Wong Chung Yip, Kenneth *(appointed on 16 December 2013)*
Mr. Hau Chi Kit
Mr. Chu Siu Lun, Ivan
Mr. Chan Hon Yuen *(resigned on 10 December 2013)*

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. The appointment of executive Directors will continue thereafter until terminated by either party giving not less than three months' prior written notice to the other or the payment of three month salary in lieu of notice.

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.

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.

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

BIOGRAPHICAL DETAILS OF DIRECTORS

The biographical details of Directors of the Group as at the date of this report are set out in the "Biographical Details of Directors" section on pages 24 to 27 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 13 to the Financial Statements.

PENSION SCHEMES

Particulars of the pension schemes are set out in note 11 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 2014, 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 c)*	Total interests	Percentage of aggregate interests to total issued Share Capital
Dr. Lee *(Note a)*	Interest in controlled corporation	–	140,000,001	140,000,001	7.07%
Mr. Kan *(Note b)*	Interest in controlled corporation	220,590,000	–	220,590,000	11.14%
Mr. Chia	Beneficial owner	5,500,000	–	5,500,000	0.28%

Notes:

(a) Dr. Lee is the sole beneficial owner of Proud Glory, which was interested in 140,000,001 underlying Shares. Under the SFO, Dr. Lee is deemed to be interested in all the underlying Shares held by Proud Glory.

(b) Mr. Kan is the sole beneficial owner of Shunleetat, which was interested in 220,590,000 Shares. Under the SFO, Mr. Kan is deemed to be interested in all the Shares held by Shunleetat.

(c) 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 2014, 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 2014, 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:

Name	Number of Shares held			Number of underlying Shares under convertible notes (Note a)			Percentage of aggregate interests to total issued share capital
	Beneficial owner	Interest in controlled corporation	Spouse interest	Beneficial owner	Interest in controlled corporation	Total interests	
China Xinhua NNC	576,376,480 (Note b)	–	–	1,923,623,520 (Note b)	–	2,500,000,000	126.21%
CNC China	–	576,376,480 (Note b)	–	–	1,923,623,520 (Note b)	2,500,000,000	126.21%
Proud Glory	–	–	–	140,000,001 (Note c)	–	140,000,001	7.07%
Ms. Lam Shun Kiu, Rosita	–	–	220,590,000 (Note d)	–	–	220,590,000	11.14%
Shunleetat	220,590,000 (Note d)	–	–	–	–	220,590,000	11.14%
Murtsa Capital Management Limited	204,081,632 (Note e)	–	–	548,775,510 (Note e)	–	752,857,142	38.01%
HEC Development Limited	–	204,081,632 (Note e)	–	–	548,775,510 (Note e)	752,857,142	38.01%
HEC Capital Limited	–	204,081,632 (Note e)	–	–	548,775,510 (Note e)	752,857,142	38.01%
APT Satellite TV Development Limited	–	–	–	178,571,429 (Note f)	–	178,571,429	9.01%
APT Satellite Holdings Limited	–	–	–	–	178,571,429 (Note f)	178,571,429	9.01%
APT Satellite International Company Limited	–	–	–	–	178,571,429 (Note f)	178,571,429	9.01%
中國航天科技集團公司	–	–	–	–	178,571,429 (Note f)	178,571,429	9.01%
中國衛星通信集團有限公司	–	–	–	–	178,571,429 (Note f)	178,571,429	9.01%

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 CNC China. Accordingly, CNC China is deemed to be interested in the 576,376,480 Shares and 1,923,623,520 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 140,000,001 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 220,590,000 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 220,590,000 Shares held by Shunleetat under the SFO.

(e) HEC Development Limited and HEC Capital Limited are controlling shareholders, either directly or indirectly, of Murtsa Capital Management Limited. Accordingly, HEC Development Limited and HEC Capital Limited are deemed to be interested in the 204,081,632 Shares and 548,775,510 underlying Shares held by Murtsa Capital Management Limited under the SFO.

(f) 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 TV Development Limited. 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 TV Development Limited under the SFO.

Saved as disclosed above, as at 31 March 2014, 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 2014.

PURCHASE, SALE OR REDEMPTION OF THE SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares during the year ended 31 March 2014.

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 2014 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

During the year ended 31 March 2014, as notified by the Company's compliance adviser, Optima Capital Limited (the "Compliance Adviser"), except for the compliance adviser agreement (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.

Referring to the Compliance Adviser Agreement, the service term ended on the date on which the Company complies with the GEM Listing Rules in respect of its financial results for the second full financial year after the date of listing of the Company which means the financial year ended 31 March 2013. Since the Company had despatched the annual report for the financial year ended 31 March 2013 on 25 June 2013 and had complied with all the requirements under the GEM Listing Rules, the service term ended in June 2013 and thus Optima Capital Limited ceased to be the Compliance Adviser.

CONNECTED TRANSACTIONS

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

Announcement Posting Agreements

On 11 June 2014, 30 June 2013 and 15 May 2012, the Company entered into agreements (the "Announcement Posting Agreements") with Hong Kong Listco Limited ("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 2014, 1 July 2013 and 1 July 2012 respectively. HKLC is a company incorporated in Hong Kong and is wholly and beneficially owned by Mr. Chia. 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. Since China Xinhua NNC is a substantial shareholder of the Company, and therefore a connected person of the Company within the meaning of the GEM Listing Rules, 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, 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 Channels (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 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.

On 21 May 2014, AVIC Culture and CNC China have mutually agreed in writing to terminate the Advertisement Operation Cooperation Contract (the "AVIC Termination"). As such, AVIC Culture will not settle the remaining amount of advertising fee due to CNC China which would then be paid to China Xinhua NNC and the Group due to the termination of the initial public offering application of AVIC Culture as announced by China Securities Regulatory Commission in April 2014. Accordingly, CNC China, China Xinhua NNC and the Group have mutually agreed to terminate the CNC Agreement and the Advertisement Broadcasting Contract ("CNC Terminations") on the same day. The Board confirms that none of AVIC Culture, CNC China, China Xinhua NNC and the Group has to pay the other party any penalty and/or compensation as a result of the AVIC Termination and CNC Terminations and none of CNC China, China Xinhua NNC and the Group has to return any of the instalment payment previously received as part of the Payment under the Partial Advertisement Operation Right.

As a result of the AVIC Termination and CNC Terminations, the outstanding accounts receivable due from China Xinhua NNC as at 31 March 2014 in respect of advertisement operation cooperation with AVIC Culture of approximately HK$9.4 million was assessed to be irrecoverable. In view of this, the Company has made a full provision for doubtful debt for the aforesaid accounts receivable of approximately HK$9.4 million which reduced both the Company's results and the Company's asset value by the same amount for the year ended 31 March 2014. In addition, the Group will reduce both the revenue from China Xinhua NNC in respect of the advertisement operation cooperation with AVIC Culture and the profit of the Group for an estimated amount of approximately HK$9.3 million per year in the subsequent years from 1 April 2014 till 25 August 2016. Apart from the above-mentioned financial impact, the AVIC Termination and CNC Terminations will not cause any material adverse impact on the existing business or operation of the Group.

CRU Framework Agreement

On 19 December 2012, CNC China and the MOFCOM Department of Foreign Investment Administration entered into an advertisement broadcasting agreement (the "MOFCOM Advertisement Broadcasting Agreement") in relation to the provision of advertising resources of the television channels controlled by CNC China to broadcast advertisements of the MOFCOM Department of Foreign Investment Administration.

On 25 December 2012, Sichuan Branch of Xinhua News Agency and Yibin Wuliangye Liquor Sales Co., Ltd entered into an advertisement broadcasting agreement (the "Wuliangye Advertisement Broadcasting Agreement") in relation to the provision of advertising resources of the television channels controlled by CNC China to broadcast advertisements of Yibin Wuliangye Liquor Sales Co., Ltd. On 22 July 2013, CNC China and Sichuan Branch of Xinhua News Agency entered into the advertisement broadcasting authorisation agreement (the "Wuliangye Advertisement Broadcasting Authorisation Agreement") in relation to the provision of advertising resources of the television channels controlled by CNC China to broadcast advertisements of Yibin Wuliangye Liquor Sales Co., Ltd.

To support the operation of the Company, on 22 July 2013, the Company and CNC China entered into the CRU Framework Agreement, pursuant to which the Company will and will procure its subsidiaries to provide advertising resources on the television channels controlled by the Company to CNC China and its associates for the advertisement business of independent third party clients undertook by them. As consideration, CNC China and its associates will pay advertisement broadcasting fees to the Company and its subsidiaries. The CRU Framework Agreement will have a term of 3 years ending on 31 March 2016.

In order to implement the CRU Framework Agreement, on 22 July 2013, Xinhua TV Asia-Pacific entered into the MOFCOM CRU Agreement with CNC China, pursuant to which Xinhua TV Asia-Pacific agreed to provide advertising resources on its television channels to CNC China for broadcasting advertisements of the MOFCOM Department of Foreign Investment Administration. On the same day, Xinhua TV Asia-Pacific entered into the Wuliangye CRU Agreement with CNC China pursuant to which Xinhua TV Asia-Pacific agreed to provide advertising resources on its television channels to CNC China for broadcasting advertisements of Yibin Wuliangye Liquor Sales Co., Ltd. Both MOFCOM CRU Agreement and Wuliangye CRU Agreement became effective on 22 July 2013 and will end on 31 March 2016.

As consideration for using such advertising resources, CNC China will pay the Group 50% of the advertisement broadcasting fees (after deducting applicable PRC taxes) it receives from the MOFCOM Department of Foreign Investment Administration under the MOFCOM Advertisement Broadcasting Agreement (including those received before the effectiveness of the MOFCOM CRU Agreement); and 50% of the advertisement broadcasting fees (after deducting applicable PRC taxes) it receives from Sichuan Branch of Xinhua News Agency under the Wuliangye Advertisement Broadcasting Authorisation Agreement (including those received before the effectiveness of the Wuliangye CRU Agreement). Such advertisement broadcasting fees that CNC China are entitled to equal to 30% of the advertisement broadcasting fees that Sichuan Branch of Xinhua News Agency receives from Yibin Wuliangye Liquor Sales Co., Ltd. under the Wuliangye Advertisement Broadcasting Agreement (including those received before the effectiveness of the Wuliangye Advertisement Broadcasting Authorisation Agreement).

Since CNC China is a substantial shareholder and a connected person of the Company within the meaning of the GEM Listing Rules, the transactions contemplated under the CRU Framework Agreement 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.

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 requirement under Chapter 20 of the GEM Listing Rules because the highest applicable percentage ratio of the annual 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.

Also pursuant to Rule 20.41 of the GEM Listing Rules, the transactions contemplated under the CRU Framework Agreement are subject to the applicable reporting, announcement and annual review requirements but exempt from independent shareholders' approval requirement under Chapter 20 of the GEM Listing Rules because the highest applicable percentage ratio of the annual caps (including the proposed annual caps of the transactions under Advertisement Broadcasting Contract as mentioned above), 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 CRU Framework Agreement.

As 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 Announcement Posting Agreements were entered into in the ordinary and usual course of business of the Group, the transactions under the Announcement Posting Agreements are exempt continuing connected transactions of the Company pursuant to Rule 20.33(3)(c) of the GEM Listing Rules, which are exempt from reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Save as disclosed above, none of the Directors, controlling Shareholders and their respective associates has any other conflict of interests with the Group during the year ended 31 March 2014.

CORPORATE GOVERNANCE

Details of the Group's corporate governance practices are set out in the "Corporate Governance Report" section on pages 28 to 38 of this report.

EVENTS AFTER THE REPORTING PERIOD

The details of events after the reporting period are set out in note 46 to the Financial Statements.

AUDITOR

The Financial Statements for the year ended 31 March 2014 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.

On behalf of the Board
Wu Jin Cai
Chairman

Hong Kong, 11 June 2014

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 54 to 139, which comprise the consolidated and Company statements of financial position as at 31 March 2014, and the consolidated statement of profit or loss and other 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 2014 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.

MATERIAL UNCERTAINTY CONCERNING GOING CONCERN BASIS OF ACCOUNTING

Without qualifying our opinion, we draw attention to Note 3(b) in the consolidated financial statements which indicates that the Group incurred a net loss of approximately HK$431,292,000 during the year ended 31 March 2014 and, as of that date, the Group had net current liabilities and net liabilities of approximately HK$583,100,000 and HK$407,939,000 respectively. These conditions, along with other matters as set forth in Note 3(b), indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hon Koon Fai, Alex
Practising Certificate Number: P05029

Hong Kong, 11 June 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000 (Restated)
Revenue	6	**324,331**	293,034
Cost of services		**(274,231)**	(248,252)
Gross profit		**50,100**	44,782
Other income	7	**30,961**	28,829
Other gains and losses	8	**(3,307)**	488
Amortisation expenses		**(59,463)**	(60,474)
Selling and distribution expenses		**(85)**	(423)
Administrative expenses		**(29,706)**	(27,615)
Loss from operations	10	**(11,500)**	(14,413)
Finance costs	12	**(42,041)**	(41,425)
Impairment loss recognised in respect of trade receivables	26	**(9,469)**	–
Impairment loss recognised in respect of goodwill	19	**(151,194)**	–
Impairment loss recognised in respect of intangible assets	21	**(269,309)**	–
Impairment loss recognised in respect of available-for-sale financial assets	23	**–**	(66,741)
Loss before income tax		**(483,513)**	(122,579)
Income tax	14	**52,221**	6,390
Loss for the year		**(431,292)**	(116,189)
Other comprehensive income			
Items that may be classified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**45**	–
Other comprehensive income for the year, net of income tax		**45**	–
Total comprehensive loss for the year		**(431,247)**	(116,189)
Loss for the year attributable to owners of the Company		**(431,292)**	(116,189)
Total comprehensive loss for the year attributable to owners of the Company		**(431,247)**	(116,189)
Loss per share attributable to owners of the Company			
– Basic and diluted (HK cents)	17	**(25.14)**	(6.94)

The accompanying notes form an integral part of these Financial Statements.

Consolidated Statement of Financial Position

At 31 March 2014

	Notes	31/3/2014 HK$'000	31/3/2013 HK$'000 (Restated)	1/4/2012 HK$'000
Non-current assets				
Property, plant and equipment	*18*	**45,184**	32,205	20,648
Goodwill	*19*	**–**	151,194	151,194
Intangible assets	*21*	**163,040**	490,581	549,306
Available-for-sale financial assets	*23*	**400**	400	67,141
		208,624	674,380	788,289
Current assets				
Inventories	*25*	**14,955**	22,251	22,286
Film rights	*22*	**–**	–	–
Trade and other receivables	*26*	**77,804**	46,174	56,773
Pledged bank deposits		**–**	–	2,005
Financial assets at fair value through profit or loss	*28*	**10,485**	–	–
Tax recoverable		**480**	312	1,134
Cash and cash equivalents	*29*	**20,609**	36,229	10,011
		124,333	104,966	92,209
Total assets		**332,957**	779,346	880,498
Current liabilities				
Trade and other payables	*31*	**107,063**	79,998	77,616
Finance lease payables	*32*	**3,345**	2,751	1,676
Borrowings		**–**	–	3,208
Employee benefits	*33*	**2,095**	2,351	1,951
Promissory note	*34*	**44,609**	–	–
Convertible notes	*35*	**543,234**	–	–
Current tax liabilities		**7,087**	3,398	–
		707,433	88,498	84,451
Net current (liabilities)/assets		**(583,100)**	16,468	7,758
Total assets less current liabilities		**(374,476)**	690,848	796,047

Consolidated Statement of Financial Position

At 31 March 2014

	Notes	31/3/2014 HK$'000	31/3/2013 HK$'000 (Restated)	1/4/2012 HK$'000
Non-current liabilities				
Other payables	*31*	**–**	2,217	866
Finance lease payables	*32*	**4,037**	3,339	2,530
Promissory note	*34*	**–**	43,440	42,336
Convertible notes	*35*	**–**	592,787	584,365
Deferred tax liabilities	*36*	**29,426**	85,168	95,457
		33,463	726,951	725,554
Total liabilities		**740,896**	815,449	810,005
Net (liabilities)/assets		**(407,939)**	(36,103)	70,493
Capital and reserves				
Share capital	*37*	**1,980**	1,674	1,664
Reserves		**(409,919)**	(37,777)	68,829
Total equity		**(407,939)**	(36,103)	70,493

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 11 June 2014 and are signed on its behalf by:

Wu Jin Cai	**Zou Chen Dong**
Director	*Director*

The accompanying notes form an integral part of these Financial Statements.

Statement of Financial Position

At 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment	18	**5,111**	6,945
Investments in subsidiaries	30	**45,099**	38,681
		50,210	45,626
Current assets			
Trade and other receivables	26	**433**	5,162
Amounts due from subsidiaries	30	**121,643**	519,632
Cash and cash equivalents	29	**522**	7,055
		122,598	531,849
Total assets		**172,808**	577,475
Current liabilities			
Accrued expenses and other payables	31	**25,587**	14,717
Amounts due to subsidiaries	30	**13,688**	18,961
Convertible notes	35	**543,234**	–
		582,509	33,678
Net current (liabilities)/assets		**(459,911)**	498,171
Total assets less current liabilities		**(409,701)**	543,797
Non-current liabilities			
Convertible notes	35	**–**	592,787
Deferred tax liabilities	36	**–**	1,692
		–	594,479
Total liabilities		**582,509**	628,157
Net liabilities		**(409,701)**	(50,682)
Capital and reserves			
Share capital	37	**1,980**	1,674
Reserves	38	**(411,681)**	(52,356)
Total equity		**(409,701)**	(50,682)

The financial statements were approved and authorised for issue by the Board of Directors on 11 June 2014 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 2014

	Share capital HK$'000 *(note 37)*	Share premium* HK$'000 *(note 38)*	Convertible notes equity reserves* HK$'000 *(note 35)*	Foreign currency translation reserves* HK$'000 *(note 38)*	Other reserves* HK$'000 *(note 38)*	Accumulated losses* HK$'000 *(note 38)*	Total equity HK$'000
At 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 and 1 April 2013	1,674	735,089	17,381	–	9,868	(800,115)	(36,103)
Loss for the year	–	–	–	–	–	(431,292)	(431,292)
Other comprehensive income for the year, net of tax:							
Items that may be classified subsequently to profit or loss:							
Exchange differences on translating foreign operations	–	–	–	45	–	–	45
Total comprehensive income/(loss) for the year	–	–	–	45	–	(431,292)	(431,247)
Issue of shares pursuant to conversion of convertible notes	306	60,823	(1,718)	-	-	-	59,411
At 31 March 2014	**1,980**	**795,912**	**15,663**	**45**	**9,868**	**(1,231,407)**	**(407,939)**

* *The aggregate amount of these balances of approximately HK$409,919,000 in deficit (2013: approximately HK$37,777,000 in deficit) was included as reserves in the consolidated statement of financial position as at 31 March 2014.*

The accompanying notes form an integral part of these Financial Statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000 (Restated)
Cash flows from operating activities			
Loss before income tax		**(483,513)**	(122,579)
Adjustments for:			
Amortisation expenses		**59,463**	60,474
Depreciation of property, plant and equipment	*10*	**15,117**	10,591
Net losses/(gains) on disposal of property, plant and equipment	*8*	**13**	(394)
Impairment loss recognised in respect of goodwill	*19*	**151,194**	–
Impairment loss recognised in respect of intangible assets	*21*	**269,309**	–
Impairment loss recognised in respect of available-for-sale financial assets	*23*	**–**	66,741
Impairment loss recognised in respect of trade receivables	*26*	**9,469**	–
Finance costs	*12*	**42,041**	41,425
Waiver of the interests on convertible notes	*7*	**(30,691)**	(28,602)
Realised loss arising on change in fair value of financial assets at fair value through profit or loss	*8*	**1,311**	–
Unrealised loss arising on change in fair value of financial assets at fair value through profit or loss	*8*	**1,984**	–
Interest income	*7*	**(18)**	(33)
Exchange gain, net	*8*	**(1)**	(94)
Operating cash flows before movements in working capital		**35,678**	27,529
Decrease in inventories		**7,296**	35
(Increase)/decrease in trade and other receivables		**(34,999)**	10,599
Increase in trade and other payables		**24,768**	633
(Decrease)/increase in employee benefits		**(256)**	400
Cash generated from operations		**32,487**	39,196
Income tax refunded		**–**	321
Net cash generated from operating activities		**32,487**	39,517
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**45**	820
Purchase of property, plant and equipment		**(23,324)**	(18,770)
Purchase of financial assets at fair value through profit or loss		**(150,969)**	–
Proceeds from disposal of financial assets at fair value through profit or loss		**131,089**	–
Additions of film rights		**(1,231)**	(1,749)
Interest received		**18**	33
Net cash used in investing activities		**(44,372)**	(19,666)

	2014 HK$'000	2013 HK$'000 (Restated)
Cash flows from financing activities		
Proceeds from placing of ordinary shares	**–**	10,000
Expenses paid in connection with the placing of new shares	**–**	(407)
Decrease in pledged bank deposits	**–**	2,005
Repayment of borrowings	**–**	(3,208)
Finance lease charges paid	**(222)**	(187)
Repayment of finance lease payables	**(3,538)**	(1,920)
Interest paid	**(21)**	(10)
Net cash (used in)/generated from financing activities	**(3,781)**	6,273
Net (decrease)/increase in cash and cash equivalents	**(15,666)**	26,124
Cash and cash equivalents at the beginning of the year	**36,229**	10,011
Effects of foreign exchange rate changes	**46**	94
Cash and cash equivalents at the end of the year	**20,609**	36,229

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 activities of the Company are investment holding, provision of management services, television broadcasting business and large outdoor display screen advertisement business. The principal activities of its subsidiaries are the provision of waterworks engineering services for the public sector in Hong Kong, television broadcasting business in the Asia-Pacific region (excluding the PRC) in return for advertising and related revenue and large outdoor display screen advertisement business in the PRC.

As at 31 March 2014, 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 2013.

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009 – 2011 Cycle
HKFRS 1 (Amendments)	Government Loan
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

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

Except for the amendments to HKAS 1 and HKFRS 11, the application of these new and revised HKFRSs has no material impact on the results and the financial position of the Group.

The nature of the impending changes in accounting policy on adoption of the amendments to HKAS 1 and HKFRS 11 is described below.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012.

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.

HKFRS 11 Joint Arrangements

Under HKFRS 11, classification of joint arrangements focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement. Joint ventures are accounted for under the equity method. Proportional consolidation of joint ventures is no longer permitted.

Upon the application of HKFRS 11, the Directors concluded that all of the Group's unincorporated joint arrangements that were previously classified as joint ventures under HKAS 31 and accounted for using the equity method, should be classified as joint operations under HKFRS 11 taking into account the relevant joint arrangement agreements that specify that the parties to the joint arrangements have rights to the assets and obligations to the liabilities relating to the joint arrangements. Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards. The comparative figures have been restated to reflect the change (see below for details).

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

HKFRS 11 Joint Arrangements (Continued)

The Directors reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of HKFRS 11. The Directors concluded that the Group's investments in jointly controlled entities under HKAS 31 during year ended 31 March 2013 and were accounted for using the equity method, should be classified as joint operations under HKFRS 11.

The change in accounting of the Group's investments in joint operations has been applied in accordance with the relevant transitional provisions set out in HKFRS 11. Comparative amounts for 2013 have been restated to reflect the change in accounting for the Group's investments in joint operations. As the initial investment in joint operations was happened during the year ended 31 March 2013, the retrospective restatement would have no effect on the information in the consolidated statement of financial position at the beginning of the preceding period.

The effect of the application of HKFRS 11 on the Group's consolidated financial statements for the year ended 31 March 2013 are as follows:

Impact on the results for the year ended 31 March 2013 by line items presented in the consolidated statement of profit or loss and other comprehensive income is as follows:

	2013 HK$'000
Increase in revenue	1,212
Decrease in share of profit of jointly controlled entities	(1,012)
Increase in income tax	(200)
Net change in loss for the year	–

There is no impact on earnings per share.

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

HKFRS 11 Joint Arrangements (Continued)

Impact on the consolidated statement of financial position of the Group as at 31 March 2013 is as follows:

	At 31 March 2013 (previously stated) HK$'000	Adjustments for HKFRS 11 HK$'000	At 31 March 2013 (restated) HK$'000
Non-current assets			
Jointly controlled entities	1,012	(1,012)	–
Current assets			
Trade and other receivables	43,709	2,465	46,174
Cash and cash equivalents	33,266	2,963	36,229
Current liabilities			
Trade and other payables	(75,782)	(4,216)	(79,998)
Current tax liabilities	(3,198)	(200)	(3,398)
Other assets and liabilities	(35,110)	–	(35,110)
Net liabilities	(36,103)	–	(36,103)

Impact on consolidated statements of cash flows are as follows:

	2013 HK$'000
Increase in net cash inflow from operating activities	2,963
Increase in net cash outflow from investing activities	–
Increase in net cash inflow from financing activities	–
Net increase in cash and cash equivalents	2,963

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

New and revised HKFRSs in issue but not yet effective

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

HKAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions[2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[1]
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting[1]
HKFRSs (Amendments)	Annual Improvements to HKFRS 2010 – 2012 Cycle[5]
HKFRSs (Amendments)	Annual Improvements to HKFRS 2011 – 2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
HKFRS 9, HKFRS 7 and HKAS 39 (Amendments)	Hedge Accounting and Amendments to HKFRS 9, HKFRS 7 and HKAS 39[3]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities[1]
HKFRS 14	Regulatory Deferral Accounts[4]
HK(IFRIC) – Int 21	Levies[1]

1 *Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.*
2 *Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.*
3 *No mandatory effective date yet determined but is available for adoption.*
4 *Effective for annual periods beginning on or after 1 January 2016.*
5 *Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.*

HKFRS 9 Financial Instruments

HKFRS 9 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.

The date when entities would be required to apply HKFRS 9 was previously stated at 1 January 2015. This mandatory effective date has been removed to provide sufficient time for preparers of financial statements to make the transition to the new requirements, which will now become effective from a later date yet to be announced.

The Directors anticipate that the adoption of HKFRS 9 in the future may have a significant impact on amounts reported in respect of Group's financial assets and financial liabilities (e.g. the Group's available-for-sale financial assets may have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). Regarding the Group's financial assets, it is not practical to provide a reasonable estimate of that effect until a detailed review has been completed.

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)

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – Investment Entities

The Investment Entities amendments apply to a particular class of business that qualify as investment entities. The term "investment entity" refers to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds.

Under HKFRS 10, reporting entities were required to consolidate all investees that they control (i.e. all subsidiaries). Preparers and users of financial statements have suggested that consolidating the subsidiaries of investment entities does not result in useful information for investors. Rather, reporting all investments, including investments in subsidiaries, at fair value, provides the most useful and relevant information.

In response to this, the amendments provide an exception to the consolidation requirements in HKFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities.

The amendments are effective from 1 January 2014 with early adoption permitted in order to allow investment entities to apply the amendments at the same time they first apply the rest of HKFRS 10.

The Directors anticipate that the application of these amendments to HKFRS 10, HKFRS 12 and HKFRS 27 (2011) will have no material impact on the Group's financial performance and positions.

Amendments to HKAS 39 – Novation of Derivatives and Continuation of Hedge Accounting

The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

This relief has been introduced in response to legislative changes across many jurisdictions that would lead to the widespread novation of over-the-counter derivatives. These legislative changes were prompted by a G20 commitment to improve transparency and regulatory oversight of over-the-counter derivatives in an internationally consistent and non-discriminatory way.

Similar relief will be included in HKFRS 9.

The amendments will be effective for annual periods beginning on or after 1 January 2014 and applied retrospectively. Earlier application is permitted.

The Directors anticipate that the application of these amendments to HKAS 39 will have no material impact on the Group's financial performance and positions.

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

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

HK(IFRIC) – Int 21 Levies

HK (IFRIC) – Int 21 is an interpretation of HKAS 37 and addresses how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements. The principal question raised was about when the entity should recognise a liability to pay a levy. It clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. HK(IFRIC) – Int 21 is effective for annual periods beginning on or after 1 January 2014 with earlier application permitted.

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 GEM Listing Rules.

(b) Going concern

In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group notwithstanding that:

- The Group has incurred a net loss of approximately HK$431,292,000 during the year ended 31 March 2014 and, as of that date, the Group had net current liabilities and net liabilities of approximately HK$583,100,000 and HK$407,939,000 respectively; and

- The Group had promissory note of approximately HK$44,609,000 and convertible notes of approximately HK$543,234,000 which are due within the next twelve months after 31 March 2014.

The Directors adopted the going concern basis in the preparation of Financial Statements and implemented the following measures in order to improve the working capital and liquidity and cash flow position of the Group:

3. BASIS OF PREPARATION (Continued)

(b) Going concern (Continued)

(1) Financial supports

China Xinhua NNC, one of the major Shareholders and convertible note holders, has confirmed to provide continuing financial support to the Group to enable it to continue as a going concern and to settle the liabilities as and when they fall due.

(2) Conversion of convertible notes

Subsequent to 31 March 2014, the Group received a conversion notice dated 19 May 2014 from a convertible note holder, APT Satellite TV Development Limited, in respect of the exercise of the subscription rights attached to the convertible notes in full to convert HK$35,000,000 of the principal amount of the convertible notes.

Subsequent to 31 March 2014, the Group received a conversion notice dated 20 May 2014 from a convertible note holder, China Xinhua NNC, in respect of the exercise of the subscription rights attached to the convertible notes to convert an aggregate of HK$20,000,000 of the principal amount of the convertible notes.

(3) Alternative source of financing

The Group is actively considering to raise new capital by carrying out fund raising activities including but not limited to rights issue, open offer, placing of new shares and issuance of convertible note.

In the opinion of the Directors, in light of the various measures/arrangements implemented after the end of the reporting period, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to remain a commercially viable concern. Accordingly, the Directors are satisfied that it is appropriate to prepare the Financial Statements on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effect of these adjustments has not been reflected in the Financial Statements.

3. BASIS OF PREPARATION (Continued)

(c) Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics into account when pricing the asset or liability at the measurement date.

(d) Functional and presentation currency

The financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company. All values are rounded to the nearest thousand dollars (HK$'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 structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of consolidation (Continued)

- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and,
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing 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, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted 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, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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 less accumulated impairment losses, if any.

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

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. 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) Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity sells or contributes assets to a joint operation in which a group entity is a joint operator, the Group is considered to be selling or contributing assets to the other parties to the joint operation, and gains and losses resulting from the sale or contribution are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity purchases assets from a joint operation in which a group entity is a joint operator, the Group does not recognise its share of the gains and losses until it resells those asset to a third party.

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	20% – 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 (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

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

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

(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. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives and amortisation method are reviewed at the end of the reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses.

(i) Film rights

Film rights are stated at cost less accumulated amortisation and any impairment losses. Cost comprises direct production expenditures and an appropriate portion of production overheads. The cost of film rights are expensed in the consolidated statement of profit or loss and other 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: financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables. 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 classified as at fair value through profit or loss.

Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument;

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

Financial assets (Continued)

Financial assets at fair value through profit or loss (Continued)

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial assets forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

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).

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 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be 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 the security 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 (see the accounting policy below).

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

Financial liabilities and equity instruments

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Convertible notes (Continued)

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 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.

Promissory note

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

Other financial liabilities

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

Effective interest method

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

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

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

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

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

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

(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.

(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 by reference to the proportion of actual costs incurred up to the date to the estimated total cost of the relevant contract.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Revenue recognition (Continued)

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

Dividend income from investments is recognised when the shareholders' right to receive payment has been established (provided that the economic benefits will flow to the Group and the amount of income can be measured reliably).

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) Taxation

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 'loss before tax' as reported in the consolidated statement of profit or loss and other 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, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Taxation (Continued)

Deferred tax (Continued)

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

(s) 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, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve.

(t) Segment information

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) 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.

(v) Current assets and current 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 following is 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 aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each account. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

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

Key sources of estimation uncertainty (Continued)

(ii) Impairment of goodwill

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

As at 31 March 2014, the carrying amount of goodwill was HK$ nil (2013: HK$151,194,000). Details of the impairment loss calculation are disclosed in note 20.

(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 right

The Group determines the estimated useful life at 10 years and related amortisation charges for its broadcasting right. The estimate is based on the license period of the broadcasting right acquired. Management will revise the amortisation charge where the useful life is difference 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 attrition pattern with reference to similar market information. Management will revise the amortisation charge where the useful life is difference 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 judgment is required in determining the worldwide provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will accordingly be adjusted in the relevant tax account in the year in which such determination is made.

6. REVENUE

Revenue recognised during the years ended 31 March 2014 and 2013 were as follows:

	2014 HK$'000	2013 HK$'000 (Restated)
Construction works	**303,384**	281,243
Advertising income	**20,947**	11,791
	324,331	293,034

7. OTHER INCOME

Other income recognised during the years ended 31 March 2014 and 2013 were as follows:

	2014 HK$'000	2013 HK$'000 (Restated)
Interest income	**18**	33
Waiver of the interests on convertible notes *(note 35)*	**30,691**	28,602
Sundry income	**252**	194
	30,961	28,829

8. OTHER GAINS AND LOSSES

Other gains and losses recognised during the years ended 31 March 2014 and 2013 were as follows:

	2014 HK$'000	2013 HK$'000 (Restated)
Exchange gain, net	**1**	94
Net (losses)/gains on disposal of property, plant and equipment	**(13)**	394
Realised loss arising on change in fair value of financial assets at fair value through profit or loss	**(1,311)**	–
Unrealised loss on change in fair value of financial assets at fair value through profit or loss	**(1,984)**	–
	(3,307)	488

9. 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 engineering services – provision of waterwork engineering services, road works and drainage services and site formation works for public sector in Hong Kong;

(ii) Television broadcasting business – the business of broadcasting television programmes on television channels operated by television broadcasting companies in the Asia-Pacific region (excluding the PRC) in return for advertising and related revenue; and

(iii) Large outdoor display screen advertisement business – the business of broadcasting advertisements on large outdoor display screens in the PRC .

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

9. SEGMENT INFORMATION (Continued)

Segment revenue and results

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

For the year ended 31 March 2014

	Provision of waterworks engineering services HK$'000	Television broadcasting business HK$'000	Large outdoor display screen advertisement business HK$'000	Elimination HK$'000	Total HK$'000
Revenue from external customers	303,384	16,932	4,015	–	324,331
Inter-segment sales	–	1,288	–	(1,288)	–
Other income and gains	252	–	-	–	252
Reportable segment revenue	303,636	18,220	4,015	(1,288)	324,583
Reportable segment results	28,074	(480,894)	2,037		(450,783)
Unallocated corporate income					55,323
Unallocated corporate expenses					(46,012)
Finance costs					(42,041)
Loss before income tax					(483,513)

For the year ended 31 March 2013 (restated)

	Provision of waterworks engineering services HK$'000	Television broadcasting business HK$'000	Total HK$'000
Revenue from external customers	281,243	11,791	293,034
Other income and gains	454	110	564
Reportable segment revenue	281,697	11,901	293,598
Reportable segment results	27,184	(55,846)	(28,662)
Unallocated corporate income			28,753
Unallocated corporate expenses			(81,245)
Finance costs			(41,425)
Loss before income tax			(122,579)

9. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

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

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, realised loss arising on change in fair value of financial assets at fair value through profit or loss, unrealised loss arising on change in fair value of financial assets at fair value through profit or loss and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

At 31 March 2014

	Provision of waterworks engineering services HK$'000	**Television broadcasting business HK$'000**	**Large outdoor display screen advertisement business HK$'000**	**Total HK$'000**
Segment assets	**118,012**	**165,051**	**11,027**	**294,090**
Unallocated				**38,867**
Consolidated assets				**332,957**
Segment liabilities	**53,005**	**25,754**	**140**	**78,899**
Unallocated				**661,997**
Consolidated liabilities				**740,896**

At 31 March 2013 (restated)

	Provision of waterworks engineering services HK$'000	Television broadcasting business HK$'000	Total HK$'000
Segment assets	85,081	643,129	728,210
Unallocated			51,136
Consolidated assets			779,346
Segment liabilities	45,878	20,069	65,947
Unallocated			749,502
Consolidated liabilities			815,449

9. 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, financial assets at fair value through profit or loss, cash and cash equivalents, tax recoverable 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 2014

	Provision of waterworks engineering services HK$'000	Television broadcasting business HK$'000	Large outdoor display screen advertisement business HK$'000	Unallocated HK$'000	Total HK$'000
Additions to non-current assets	16,315	7	11,753	79	28,154
Depreciation of property, plant and equipment	11,633	1	1,186	2,297	15,117
Amortisation of film rights	–	1,231	–	–	1,231
Amortisation of intangible assets	–	58,232	–	–	58,232
Net losses on disposal of property, plant and equipment	13	–	–	–	13
Impairment loss recognised in respect of goodwill	–	151,194	–	–	151,194
Impairment loss recognised in respect of intangible assets	–	269,309	–	–	269,309
Impairment loss recognised in respect of trade receivables	–	9,469	–	–	9,469

For the year ended 31 March 2013

	Provision of waterworks engineering 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

9. SEGMENT INFORMATION (Continued)

Information about geographical areas

The Group's operations are mainly located in Hong Kong and the PRC. The following table provides an analysis of the Group's revenue by location of customers:

	2014 HK$'000	2013 HK$'000 (Restated)
Hong Kong	320,916	293,034
PRC	2,632	–
Overseas	783	–
	324,331	293,034

The following is an analysis of the carrying amount of non-current assets (excluding available-for-sale financial assets) analysed by the geographical area in which the assets are located:

	2014 HK$'000	2013 HK$'000
Hong Kong	197,609	673,980
PRC	10,615	–
	208,224	673,980

Information about major customers

For the year ended 31 March 2014, included in revenue arising from provision of waterworks engineering services of approximately HK$303,384,000 (2013: HK$281,243,000) are revenue generated from three (2013: three) customers amounting to approximately HK$263,980,000 (2013: HK$261,431,000) 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 2014 and 2013.

Revenue from major customers is as follows:

	2014 HK$'000	2013 HK$'000 (Restated)
Customer A	12,936	47,124
Customer B	26,468	60,397
Customer C	142,130	153,910
Customer D	83,737	7,560
Customer E	38,113	12,116
Others	20,947	11,927
	324,331	293,034

10. LOSS FROM OPERATIONS

	2014 HK$'000	2013 HK$'000
Loss from operations has been arrived at after charging:		
Contract costs recognised as expenses	**264,671**	241,542
Amortisation of film rights (included in amortisation expenses)	**1,231**	1,749
Amortisation of intangible assets (included in amortisation expenses)	**58,232**	58,725
Television broadcasting rights fee and TV satellite fees (included in cost of services)	**8,361**	6,710
Auditors' remuneration	**680**	600
Depreciation of property, plant and equipment*	**15,117**	10,591
Staff costs *(note 11)*	**72,703**	61,952
Operating lease rentals in respect of rented premises	**19,870**	15,093

* *Depreciation of property, plant and equipment of approximately HK$1,423,000 (2013: HK$1,679,000) and HK$1,199,000 (2013: nil) have been separately expensed in contract costs recognised as expenses and cost of services respectively.*

11. STAFF COSTS

	2014 HK$'000	2013 HK$'000
Staff costs (including Directors' remuneration) comprise:		
Wages, salaries and other benefits	**70,526**	60,142
Contribution to defined contribution retirement plan	**2,177**	1,810
	72,703	61,952

12. FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Interest on:		
Finance lease payables	**222**	187
Borrowings wholly repayable within five years	**21**	10
Promissory note *(note 34)*	**2,520**	2,455
Convertible notes *(note 35)*	**39,278**	38,773
	42,041	41,425

13. 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 2014 and 2013 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 2014					
Executive Director and Chief Executive Officer					
Mr. Zou Chen Dong	–	708	20	–	728
Executive Directors					
Mr. Wu Jin Cai	–	12	–	–	12
Dr. Lee Yuk Lun ("Dr. Lee") *(note (a))*	–	12	–	1	13
Mr. Kan Kwok Cheung ("Mr. Kan")	–	1,865	151	16	2,032
Mr. Chia Kar Hin, Eric John ("Mr. Chia")	–	600	20	15	635
Non-executive Directors					
Mr. Li Yong Sheng *(note (b))*	12	–	–	–	12
Ms. Liang Hui	12	–	–	–	12
Independent Non-executive Directors					
Mr. Jin Hai Tao *(note (a))*	120	–	–	–	120
Mr. Wong Chung Yip, Kenneth *(note (c))*	35	–	–	–	35
Mr. Hau Chi Kit	120	–	–	–	120
Mr. Chu Siu Lun, Ivan	120	–	–	–	120
Mr. Chan Hon Yuen *(note (d))*	83	–	–	–	83
	502	3,197	191	32	3,922

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

(i) Directors' remuneration (Continued)

	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	–	476	59	–	535
Executive Directors					
Mr. Wu Jin Cai	–	12	1	–	13
Dr. Lee *(note (a))*	–	9	1	1	11
Mr. Kan	–	1,627	181	15	1,823
Mr. Chia	–	663	59	15	737
Ms. Wu Xu Hong *(note (e))*	–	10	–	–	10
Mr. Hui Chi Kwong *(note (f))*	–	81	–	3	84
Mr. Cheng Ka Ming, Martin *(note (f))*	–	165	–	3	168
Non-executive Directors					
Mr. Li Yong Sheng *(note (b))*	2	–	–	–	2
Ms. Liang Hui	12	–	–	–	12
Independent Non-executive Directors					
Mr. Jin Hai Tao *(note (a))*	93	–	–	–	93
Mr. Hau Chi Kit	120	–	–	–	120
Mr. Chan Hon Yuen *(note (d))*	120	–	–	–	120
Mr. Chu Siu Lun, Ivan	120	–	–	–	120
	467	3,043	301	37	3,848

Notes:

(a) Appointed on 22 June 2012.

(b) Appointed on 4 February 2013.

(c) Appointed on 16 December 2013.

(d) Resigned on 10 December 2013.

(e) Resigned on 5 February 2013.

(f) Resigned on 22 June 2012.

None of Directors or chief executive officer waived or agreed to waive any emoluments during the years ended 31 March 2014 and 2013 and there were no emoluments paid by the Group to any Directors or chief executive officer as an inducement to join, or upon joining the Group or as compensation for loss of office.

Senior management of the Group represents the executive Directors during the years ended 31 March 2014 and 2013.

13. 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 (2013: one) for the year ended 31 March 2014 whose emoluments are reflected in the analysis as shown in note 13(i). The emoluments of the remaining four (2013: four) individuals for the year ended 31 March 2014 are as follows:

	2014 HK$'000	2013 HK$'000
Basic salaries, bonuses and other allowances	**3,998**	3,246
Defined contribution retirement benefit scheme contributions	**60**	58
	4,058	3,304

Their emoluments were within the following band:

	2014 Number of employees	2013 Number of employees
Nil to HK$1,000,000	**2**	4
HK$1,000,000 to HK$1,500,000	**2**	–
	4	4

During the years ended 31 March 2014 and 2013, none of the five highest paid individuals or 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 or senior management as an inducement to join, or upon joining the Group or as compensation for loss of office.

14. INCOME TAX

The amount of income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	2014 HK$'000	2013 HK$'000 (Restated)
Current tax – Hong Kong profits Tax		
– tax for the year	**4,040**	3,899
– over-provision in respect of prior years	**(519)**	–
	3,521	3,899
Deferred tax *(note 36)*		
– current year	**(55,742)**	(10,289)
Income tax credit	**(52,221)**	(6,390)

Hong Kong profits tax is calculated at 16.5% (2013: 16.5%) on the estimated assessable profits for the year.

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

No provision for Macau profits tax has been made as the subsidiary incorporated in Macau had no assessable profit arising in Macau for the years ended 31 March 2014 and 2013.

No provision for PRC Enterprise Income tax has been made as the subsidiary incorporated in the PRC had no assessable profits arising in the PRC during the year ended 31 March 2014.

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

	2014 HK$'000	2014 %	2013 HK$'000 (Restated)	2013 %
Loss before income tax	**(483,513)**		(122,579)	
Tax calculated at rates, applicable to profits in the countries concerned	**(79,861)**	**16.5**	(20,225)	16.5
Tax effect of expenses not deductible for tax purposes	**25,686**	**(5.3)**	11,606	(9.5)
Tax effect of income not taxable for tax purposes	**(3)**	**–**	(3)	–
Over-provision in respect of prior years	**(519)**	**–**	–	–
Tax effect of temporary difference not recognised	**200**	**–**	–	–
Tax effect of tax losses not recognised	**2,276**	**(0.5)**	2,232	(1.8)
Income tax credit	**(52,221)**	**10.7**	(6,390)	5.2

15. 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$418,430,000 (2013: approximately HK$125,360,000).

16. DIVIDENDS

The Board does not recommend the payments of any dividend in respect of the year ended 31 March 2014 (2013: nil).

17. 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:

	2014 **HK$'000**	2013 HK$'000
Loss for the purpose of basic and diluted loss per share	**(431,292)**	(116,189)

	Number of shares	
	'000	'000
Weighted average number of ordinary shares for the purpose of basic loss per Share	**1,715,272**	1,674,434

Diluted loss per share for the years ended 31 March 2014 and 2013 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.

18. 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 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 and 1 April 2013	6,348	14,990	2,677	7,055	21,671	8,138	60,879
Additions	3	12,221	91	809	8,513	6,517	28,154
Disposals	–	–	–	–	(423)	–	(423)
At 31 March 2014	6,351	27,211	2,768	7,864	29,761	14,655	88,610
Accumulated depreciation:							
At 1 April 2012	90	5,322	841	2,315	8,800	2,641	20,009
Depreciation charge for the year *(Note 10)*	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 and 1 April 2013	1,177	7,416	972	3,557	11,468	4,084	28,674
Depreciation charge for the year *(Note 10)*	1,881	4,197	503	1,167	3,904	3,465	15,117
Eliminated on disposals	–	–	–	–	(365)	–	(365)
At 31 March 2014	3,058	11,613	1,475	4,724	15,007	7,549	43,426
Net book value:							
At 31 March 2014	**3,293**	**15,598**	**1,293**	**3,140**	**14,754**	**7,106**	**45,184**
At 31 March 2013	5,171	7,574	1,705	3,498	10,203	4,054	32,205

18. 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 32).

	2014 HK$'000	2013 HK$'000
Machinery	1,425	–
Motor vehicles	8,565	7,549
	9,990	7,549

As at 31 March 2014, the Group pledged its machinery with net book value of approximately HK$78,000 (2013: approximately HK$319,000) and motor vehicles with net book value of approximately HK$1,834,000 (2013: approximately HK$3,636,000) 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 2012	–	–	–	–	–
Additions	6,268	669	665	728	8,330
At 31 March 2013 and 1 April 2013	6,268	669	665	728	8,330
Additions	3	6	501	–	510
At 31 March 2014	6,271	675	1,166	728	8,840
Accumulated depreciation:					
At 1 April 2012	–	–	–	–	–
Depreciation charge for the year	1,097	78	76	134	1,385
At 31 March 2013 and 1 April 2013	1,097	78	76	134	1,385
Depreciation charge for the year	1,881	134	183	146	2,344
At 31 March 2014	2,978	212	259	280	3,729
Net book value:					
At 31 March 2014	**3,293**	**463**	**907**	**448**	**5,111**
At 31 March 2013	5,171	591	589	594	6,945

19. GOODWILL

The Group

	HK$'000
Cost:	
At 1 April 2012, 31 March 2013, 1 April 2013 and 31 March 2014	816,877
Accumulated impairment losses:	
At 1 April 2012, 31 March 2013 and 1 April 2013	665,683
Impairment losses recognised in the year *(note 20)*	151,194
At 31 March 2014	816,877
Carrying amount:	
At 31 March 2014	**–**
At 31 March 2013	151,194

20. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets have been allocated for impairment testing purposes to the cash-generating units of television broadcasting business ("television broadcasting CGU").

The Directors have appointed an independent valuer to perform a business valuation on the television broadcasting CGU containing goodwill and intangible assets which was acquired from the business combination of Xinhua TV Asia-Pacific Operating Co., Limited ("Xinhua TV Asia-Pacific") during year ended 31 March 2012.

For the purpose of impairment testing, the carrying amounts of goodwill and television broadcasting right (including in intangible assets set out in note 21) before impairment loss, have been allocated to the television broadcasting CGU are as follows:

	2014 **HK$'000**	2013 HK$'000
Goodwill	**816,877**	816,877
Television broadcasting right	**432,349**	490,581
	1,249,226	1,307,458

Due to deteriorating performance and suffered continuous losses in television broadcasting business, the Directors determined that there is a need for an impairment on the goodwill and intangible assets arising from the acquisition of television broadcasting business as the recoverable amount of television broadcasting CGU (being the CGU to which the goodwill and intangible assets have been allocated) based on the valuation report by an independent valuer was calculated to be lower than their aggregate carrying amounts.

20. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS (Continued)

The recoverable amount of television broadcasting CGU has been determined on the basis of value in use calculation and is based on certain key assumptions. The value in use calculation is based on cash flow projections prepared from financial budgets approved by the Directors of the Company covering a 5-year period and a discount rate of 18.98% (2013: 18.32%). Cash flows beyond the 5-year period are extrapolated using a growth rate ranged from 2% to 9% (2013: 1% to 15%) for different countries and the growth rate does not exceed the average long-term growth rate for the industry. The discount rates used reflect specific risks to the segment.

During the year ended 31 March 2014, the impairment loss of goodwill and intangible assets recognised to the consolidated statement of profit or loss and other comprehensive income was approximately HK$151,194,000 (2013: Nil) and approximately HK$269,309,000 (2013: Nil) respectively.

The Directors believe that the television broadcasting CGU containing goodwill and intangible assets has been reduced to its recoverable amount. The management of the Group believes 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.

21. INTANGIBLE ASSETS

The Group

	Television broadcasting right HK$'000
Cost:	
At 1 April 2012, 31 March 2013, 1 April 2013 and 31 March 2014	567,000
Accumulated amortisation and impairment:	
At 1 April 2012	17,694
Amortisation for the year *(note 10)*	58,725
At 31 March 2013 and 1 April 2013	76,419
Amortisation for the year *(note 10)*	58,232
Impairment loss recognised in the year *(note 20)*	269,309
At 31 March 2014	403,960
Carrying amount:	
At 31 March 2014	**163,040**
At 31 March 2013	490,581

21. INTANGIBLE ASSETS (Continued)

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

The Directors have determined that there is an impairment on the television broadcasting right as stated in note 20.

22. FILM RIGHTS

The Group

	HK$'000
Cost:	
At 1 April 2012	–
Additions	1,749
At 31 March 2013 and 1 April 2013	1,749
Additions	1,231
At 31 March 2014	2,980
Accumulated amortisation and impairment:	
At 1 April 2012	–
Amortisation for the year *(note 10)*	1,749
At 31 March 2013 and 1 April 2013	1,749
Amortisation for the year *(note 10)*	1,231
At 31 March 2014	2,980
Carrying amount:	
At 31 March 2014	–
At 31 March 2013	–

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.

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group	
	2014 **HK$'000**	2013 HK$'000
Available-for-sale financial assets comprise:		
Unlisted equity securities in Hong Kong	**400**	400
Analysed for reporting purposes as:		
Non-current assets	**400**	400

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 value 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 had 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 was significantly less than its investment cost and hence an impairment loss of approximately HK$66,741,000 was recognised against the investment cost.

Subsequent to the end of the reporting period, the unlisted equity securities was disposed to an independent third party at a consideration of HK$400,000.

24. JOINT OPERATIONS

Details of investments in joint operations as at 31 March 2014 and 2013 are as follows:

Name	**Place of operation**	**Participating shares**		**Principal activity**
		2014	2013	
Hsin Chong Tsun Yip Joint Venture (DC/2012/04)	Unincorporated joint operation operating in Hong Kong	**40%**	40%	Civil engineering
Hsin Chong Tsun Yip Joint Venture (DC/2012/07)	Unincorporated joint operation operating in Hong Kong	**43%**	43%	Civil engineering
Hsin Chong Tsun Yip Joint Venture (DC/2012/08)	Unincorporated joint operation operating in Hong Kong	**43%**	43%	Civil engineering
Hsin Chong Tsun Yip Joint Venture (5/WSD/13)	Unincorporated joint operation operating in Hong Kong	**17%**	–	Civil engineering

Note:

Pursuant to the terms of the joint agreements, the profit sharing for each year of all joint operations listed herein above shall be distributed to the joint operators in proportion to their respective interests.

25. INVENTORIES

	The Group	
	2014	2013
	HK$'000	HK$'000
Construction materials	**14,955**	22,251

26. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		
Trade receivables *(note (i), (iii))*	**40,234**	5,567	**250**	–
Allowance of doubtful debts	**(9,469)**	–	**–**	–
	30,765	5,567	**250**	–
Retention receivables *(note (ii), (iii)), (note 27)*	**5,974**	7,896	**–**	–
Other receivables and prepayments *(note (iv))*	**36,498**	21,826	**176**	184
Amount due from a substantial shareholder *(note (v))*	**91**	–	**–**	–
Amounts due from customers for contract works *(note 27)*	**-**	2,580	**–**	–
Deposits	**4,476**	8,305	**7**	4,978
	77,804	46,174	**433**	5,162

26. TRADE AND OTHER RECEIVABLES (Continued)

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/orgainsation and reputable corporations. 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 invoice date as of the end of reporting period:

	The Group	
	2014	2013
	HK$'000	HK$'000
		(Restated)
Current or less than 1 month	**30,742**	5,567
More than 3 months but less than 12 months	**23**	–
	30,765	5,567

The Group grants an average credit period of 30 days (2013: 30 days) to its trade customers of contract works. Application for progress payments of contract works is made on a regular basis.

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

	2014	2013
	HK$'000	HK$'000
Overdue by:		
90 – 120 days	**23**	–

Movements in the allowance for doubtful debts

	The Group	
	2014	2013
	HK$'000	HK$'000
Balance at the beginning of the year	**–**	–
Impairment loss recognised on trade receivables	**9,469**	–
Balance at the end of the year	**9,469**	–

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

(iii) *Trade and other receivables 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.*

(v) *Amount due from a substantial Shareholder is unsecured, interest free and recoverable on demand.*

27. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORKS

	The Group	
	2014	2013
	HK$'000	HK$'000
		(Restated)
Contracts in progress at the end of the reporting period:		
Contract costs incurred to date plus recognised profits	**923,860**	620,475
Less: recognised losses	**–**	–
	923,860	620,475
Progress billings	**(923,860)**	(617,895)
	–	2,580
Analysed for reporting purposes as:		
Amounts due from customers for contract works *(note 26)*	**–**	2,580

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

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

At 31 March 2014, retentions held by customers for contract works included in other receivables (note 26) amounted to approximately HK$5,974,000 (2013: HK$7,896,000).

At 31 March 2014, the Group did not have any advances received from customers included in other payables (note 31) under current liabilities (2013: HK$2,800,000).

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	2014	2013
	HK$'000	HK$'000
Listed securities:		
– Equity securities listed in Hong Kong	**10,485**	–

29. CASH AND CASH EQUIVALENTS

The Group and the Company

Bank balances carry interest at market rates which range from 0.01% – 0.35% (2013: 0.01% – 3.00%) per annum.

The Group

As at 31 March 2014, the cash and cash equivalents of the Group included currencies denominated in Renminbi amounted to approximately HK$1,802,000 (2013: HK$10,569,000) which is not freely convertible into other currencies.

The Company

As at 31 March 2014, the cash and cash equivalents of the Group included currencies denominated in Renminbi amounted to approximately HK$89,000 (2013: HK$87,000) which is not freely convertible into other currencies.

30. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2014	2013
	HK$'000	HK$'000
Unlisted shares, at cost	**45,099**	38,681
Amounts due from subsidiaries *(note (a))*	**1,316,676**	1,309,662
Less: Impairment loss recognised *(note (b))*	**(1,195,033)**	(790,030)
	121,643	519,632
Amounts due to subsidiaries *(note (c))*	**13,688**	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$405,003,000 (2013: HK$107,367,000) has been recognised for the year ended 31 March 2014.

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

30. INVESTMENTS IN SUBSIDIARIES (Continued)

Particulars of the Company's principal subsidiaries at 31 March 2014 are as follows.

Name of company	Place and date of incorporation and form of business structure	Percentage of equity interests and voting power attributable to the Company %	Nominal value of issued share capital	Principal activities
Direct subsidiaries				
TYW (BVI) Limited	BVI, 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
Shenzhen Qianhai Xinhua TV Cultural Development Limited*	PRC, 30 May 2013, limited liability company	100	Registered capital of RMB30,000,000; paid-up capital of RMB5,049,610	Advertising business in PRC
Indirect subsidiaries				
Tsun Yip Civil Construction Company Limited	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
Tsun Yip Waterworks Construction Company Limited	Hong Kong, 6 February 1996, limited liability company	100	HK$13,000,000, divided into 13,000,000 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)
Xinhua Outdoor Display Network Broadcast Limited	Hong Kong, 8 August 2011 limited liability company	100	HK$1, divided into 1 ordinary share of HK$1.00 each	Large outdoor display screen advertisement business

* *for identification purpose only*

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.

31. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		
Trade payables	**36,401**	30,119	**–**	–
Retention money payables	**7,723**	3,955	**–**	–
Advance received from customers *(note (i))*, *(note 27)*	**–**	2,800	**–**	–
Amounts due to a Shareholder *(note (ii))*	**19,112**	18,060	**–**	–
Amounts due to Directors *(note (iv))*	**12,858**	–	**12,858**	–
Deferred revenue	**3,857**	–	**–**	–
Interest payables	**13,501**	13,421	**9,932**	11,204
Amount due to a related party *(note (iii))*	**2,009**	2,009	**–**	–
Other payables and accruals	**11,602**	11,851	**2,797**	3,513
	107,063	82,215	**25,587**	14,717
Less:				
Interest payable -				
non-current portion	**–**	(2,217)	**–**	–
	107,063	79,998	**25,587**	14,717

Notes:

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

(ii) Amount due to a Shareholder represented 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 represented amount due to 新華音像中心, 新華音像中心 and China Xinhua NNC have a common shareholder, Xinhua News Agency (新華社). The amount is unsecured, interest-free and repayable on demand.

(iv) Amounts due to Directors are unsecured, interest-free and repayable on demand.

31. TRADE AND OTHER PAYABLES (Continued)

The Group normally settles trade payables within 30 days (2013: 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	
	2014	2013
	HK$'000	HK$'000
		(Restated)
Current or less than 1 month	**20,883**	26,868
1 to 3 months	**10,943**	2,990
More than 3 months but less than 12 months	**4,086**	15
More than 12 months	**489**	246
	36,401	30,119

32. FINANCE LEASE PAYABLES

The Group leases a number of its motor vehicles and machineries. 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 2014, the weighted average interest rate is 3.2% (2013: 2.5%) per annum.

Future lease payments are due as follows:

The Group

At 31 March 2014

	Minimum lease payments HK$'000	**Interest HK$'000**	**Present value HK$'000**
Not later than one year	**3,572**	**227**	**3,345**
Later than one year and not later than five years	**4,186**	**149**	**4,037**
	7,758	**376**	**7,382**

32. FINANCE LEASE PAYABLES (Continued)

The Group (Continued)

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

33. EMPLOYEE BENEFITS

	The Group	
	2014 HK$'000	2013 HK$'000
Liabilities for employee benefits comprise:		
Annual leave entitlement	**635**	766
Long service payments entitlement	**1,460**	1,585
	2,095	2,351

34. 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	
	2014	2013
	HK$'000	HK$'000
At the beginning of the year	**43,440**	42,336
Interest charged at an effective interest rate of 5.744% *(note 12)*	**2,520**	2,455
Interest payable	**(1,351)**	(1,351)
At the end of the year	**44,609**	43,440

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 note are calculated using the effective interest method by applying effective interest rate of 5.744%.

35. CONVERTIBLE NOTES

The Group and the Company

On 9 December 2011, the Company issued convertible notes with the principal amount of approximately HK$607,030,000, carried interest at the rate of 5% per annum as part of the consideration for the acquisition of Xinhua TV Asia-Pacific. Each note entitles the holder to convert to ordinary shares at a conversion price of 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 redeem on 9 December 2014 at the outstanding principal amount. Interest of 5% per annum will be paid annually until the notes are converted or redeemed.

The convertible notes contain two components, liability and equity components. The equity component is presented in equity heading "convertible notes equity reserves". The effective interest rate of the liability component is 6.64%.

	HK$'000
Equity component at date of issue	**20,997**
Liability component at 1 April 2012	584,365
Interest charged calculated at an effective interest rate of 6.64% *(note 12)*	38,773
Interest payable	(30,351)
Liability component at 31 March 2013 and 1 April 2013	592,787
Interest charged calculated at an effective interest rate of 6.64% *(note 12)*	39,278
Interest payable	(29,420)
Conversion of convertible notes	(59,411)
Liability component at 31 March 2014	**543,234**

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, 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.

35. CONVERTIBLE NOTES (Continued)

The Group and the Company (Continued)

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.

On 31 October 2013, Proud Glory, agreed to waive the payment of convertible note interests incurred from 9 December 2012 to 8 December 2014 in order to support the development of the business of the Company. As such, the convertible note interests waived for the period from 9 December 2012 to 31 March 2014 amounted to approximately HK$10,839,000. Proud Glory has disposed part of the convertible notes, with waiver of interests, to an independent third party, Murtsa Capital Management Limited during the year ended 31 March 2014.

On 30 October 2013, China Xinhua NNC, agreed to waive the payment of convertible note interests incurred from 9 December 2012 to 8 December 2013 amounting to approximately HK$19,852,000 in order to support the development of the business of the Company.

36. DEFERRED TAX LIABILITIES

The Group

	Intangible assets	Convertible notes	Accelerated depreciation allowances	Unrealised income	Unused tax losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2012	90,635	3,025	2,095	–	(298)	95,457
(Credited)/charged to profit and loss for the year *(note 14)*	(9,689)	(1,390)	492	–	298	(10,289)
At 31 March 2013 and 1 April 2013	80,946	1,635	2,587	–	–	85,168
(Credited)/charged to profit and loss for the year *(note 14)*	(54,043)	(1,635)	263	(327)	–	(55,742)
At 31 March 2014	**26,903**	**–**	**2,850**	**(327)**	**–**	**29,426**

36. DEFERRED TAX LIABILITIES (Continued)

The Company

	Accelerated depreciation allowances HK$'000	Convertible notes HK$-000	Total HK$'000
At 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 and 1 April 2013	57	1,635	1,692
Credited to profit and loss for the year	(57)	(1,635)	(1,692)
At 31 March 2014	**–**	**–**	**–**

At the end of the reporting period, the Group has unused tax losses of approximately HK$34,574,000 (2013: HK$21,230,000) available for offset against future profits. No deferred tax asset has been recognised in respect of approximately HK$34,574,000 (2013: HK$21,230,000) of such losses due to the unpredictability of future profit streams of those subsidiaries which incurred these remaining tax losses.

37. SHARE CAPITAL

The Group and the Company

	Notes	Number of shares At HK$0.001 each	Nominal value HK$'000
Authorised:			
At 1 April 2012, 31 March 2013, 1 April 2013 and 31 March 2014		500,000,000,000	500,000
Issued and fully paid:			
At 1 April 2012		1,664,735,664	1,664
Issue of Shares pursuant to the placing	*(a)*	10,000,000	10
At 31 March 2013 and 1 April 2013		1,674,735,664	1,674
Issue of Shares pursuant to conversion of convertible notes	*(b)*	306,122,448	306
At 31 March 2014		**1,980,858,112**	**1,980**

Notes:

(a) 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.

(b) On 28 January 2014, a convertible note holder exercised its conversion right to convert part of the principal amount of HK$40,000,000 into 204,081,632 Shares. The excess of the conversion price over the nominal value of shares, of approximately HK$204,000, was credited to share premium of the Company.

On 13 March 2014, China Xinhua NNC exercised its conversion right to convert part of the principal amount of HK$20,000,000 into 102,040,816 Shares. The excess of the conversion price over the nominal value of shares, of approximately HK$102,000, was credited to share premium of the Company.

38. 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 58.

The Company

	Share premium HK$'000	Convertible notes equity reserves HK$'000	Other reserves HK$'000	Accumulated losses HK$'000	Total HK$'000
At 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 and 1 April 2013	735,089	17,381	23,647	(828,473)	(52,356)
Loss and total comprehensive loss for the year	–	–	–	(418,430)	(418,430)
Issue of Shares pursuant to conversion of convertible notes	60,823	(1,718)	–	–	59,105
At 31 March 2014	**795,912**	**15,663**	**23,647**	**(1,246,903)**	**(411,681)**

38. 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.
Foreign currency translation reserves	Foreign currency translation reserves represent foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 4(s).
Other reserves	Other reserve 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.
Accumulated losses	Cumulative net losses recognised in profit or loss.

39. 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.

During the years ended 31 March 2014 and 2013, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

40. OPERATING LEASE COMMITMENTS

The Group as lessee

	2014 HK$'000	2013 HK$'000
Minimum lease payments paid under operating leases during the year	**19,870**	15,093

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	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Within one year	**16,361**	12,215	**24**	24
In the second to fifth years inclusive	**33,548**	30,434	**57**	81
Over five years	**9,333**	14,833	**–**	–
	59,242	57,482	**81**	105

Operating leases related to office property, Director's quarter, certain office equipment, television broadcasting right, the use of satellite capacity and broadcasting services with lease term of between 1 to 10 years (2013: 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.

41. CAPITAL COMMITMENTS

The Group

	2014 HK$'000	2013 HK$'000
Commitments for the acquisition of property, plant and equipment	**3,480**	10,704

The Company

	2014 HK$'000	2013 HK$'000
Commitments for the acquisition of property, plant and equipment	**–**	10,704

42. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, during the years ended 31 March 2014 and 31 March 2013, the Group had entered into the following transactions with related parties which, in the opinion of the directors, were conducted on normal commercial terms and in the ordinary course of the Group's business.

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

Related party relationship	**Type of transaction**	**2014 HK$'000**	2013 HK$'000
A company that Mr. Chia had material interest	Rental expenses for an office premises paid *(note (i))*	**–**	75
	Service fee for announcement posting agreement	**9**	9
	Company secretarial fees paid	**53**	41
A company that Mr. Chia is a common director	Legal and professional fee paid	**56**	–
China Xinhua NNC	Annual fee for television broadcasting right *(note (ii))*	**1,000**	1,000
	Advertisement broadcasting income *(note (iii))*	**9,332**	5,625
	Waiver of the interests on convertible notes *(note (iv))*	**19,852**	19,852
	Accrued interests on convertible notes *(note (v))*	**19,542**	19,852
CNC China	Advertising income *(note (vi))*	**2,248**	–
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 interests on convertible notes (note (iv))	**10,839**	8,750
	Accrued interests on convertible notes *(note (v))*	**8,131**	8,750
A company that former Director is a common director	Advertising income	**–**	100

42. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

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 rights to Xinhua TV Asia-Pacific for the period form 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.*

(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 Xinhua TV Asia-Pacific, in cash, 50% of any amount that 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 China Xinhua News Network World Channel (the "CNC Channel") (Chinese) and CNC Channel (English) (collectively 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 2014, China Xinhua NNC and Proud Glory, a company in which Dr. Lee has had material interests in, have waived the interests on convertible notes of approximately HK$19,852,000 (2013: approximately HK$19,852,000) for the period from 9 December 2012 to 8 December 2013 (2013: for the period from 9 December 2011 to 8 December 2012) and approximately HK$10,839,000 (2013: approximately HK$8,750,000) for the period from 9 December 2012 to 31 March 2014 (2013: for the period from 9 December 2011 to 8 December 2012) respectively.*

(v) *During the year ended 31 March 2014, the convertible notes interests payable to China Xinhua NNC and Proud Glory were amounted to approximately HK$19,542,000 (2013: approximately HK$19,852,000) and approximately HK$8,131,000 (2013: approximately HK$8,750,000) respectively.*

(vi) *On 22 July 2013, the Company and CNC China entered into the channel resources usage framework agreement (the "CRU Framework Agreement"), pursuant to which the Company will and will procure its subsidiaries to provide advertising resources on the television channels controlled by the Company to CNC China and its associates for the advertisement businesses of independent third party clients undertook by them. As consideration, CNC China will pay the Group certain percentage of the advertisement broadcasting fees (after deducting applicable PRC taxes) for using such advertising resources based on the terms and conditions of each agreement. The CRU Framework Agreement will have a term of 3 years ending on 31 March 2016.*

One of the Directors, Mr. Kan, who is also 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 32.

(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 13.

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

43. NON-CASH TRANSACTION

(a) During the year ended 31 March 2014, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of approximately HK$4,830,000 (2013: HK$3,804,000).

44. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	The Group	
	2014	2013
	HK$'000	HK$'000
		(restated)
Financial assets		
Loans and receivables (including cash and cash equivalents)	**68,333**	60,779
Financial assets at fair value through profit or loss	**10,485**	–
Available-for-sale financial assets	**400**	400
	79,218	61,179
Financial liabilities		
Amortised costs	**698,431**	721,732

	The Company	
	2014	2013
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**122,422**	531,665
Financial liabilities		
Amortised costs	**582,509**	626,465

44. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies

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

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

(i) Credit risk 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.

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 13% (2013: 5% (restated)) and 46% (2013: 29% (restated)) 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 of cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

44. FINANCIAL INSTRUMENTS (Continued)

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

(ii) Liquidity risk management (Continued)

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 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 2014						
Trade and other payables	**44,501**	**36,401**	**13,501**	**8,803**	**103,206**	**103,206**
Finance lease payables	**–**	**987**	**2,585**	**4,186**	**7,758**	**7,382**
Promissory note	**–**	**–**	**45,525**	**–**	**45,525**	**44,609**
Convertible notes	**–**	**–**	**561,199**	**–**	**561,199**	**543,234**
	44,501	**37,388**	**622,810**	**12,989**	**717,688**	**698,431**
At 31 March 2013 (restated)						
Trade and other payables	30,252	30,119	11,204	7,840	79,415	79,415
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
	30,252	30,854	34,308	695,593	791,007	721,732

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 2014						
Accrued expenses and other payables	**15,655**	**–**	**9,932**	**–**	**25,587**	**25,587**
Amounts due to subsidiaries	**13,688**	**–**	**–**	**–**	**13,688**	**13,688**
Convertible notes	**–**	**–**	**561,199**	**–**	**561,199**	**543,234**
	29,343	**–**	**571,131**	**–**	**600,474**	**582,509**
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

(iii) Interest rate risk management

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

Interest rate profile

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

44. FINANCIAL INSTRUMENTS (Continued)

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

(iii) Interest rate risk management (Continued)

Interest rate profile (Continued)

The Group

	2014 Effective interest rate (%)	2014 HK$'000	2013 Effective interest rate (%)	2013 HK$'000 (restated)
Financial liabilities				
Fixed rate borrowings				
– Finance lease payables	3.2	7,382	2.5	6,090
– Convertible notes	6.64	543,234	6.64	592,787
– Promissory note	5.74	44,609	5.74	43,440
Financial assets				
Floating rate assets				
– Bank balances	0.01-0.35	20,486	0.01 – 3.00	36,155

The Company

	2014 Effective interest rate (%)	2014 HK$'000	2013 Effective interest rate (%)	2013 HK$'000
Financial liabilities				
Fixed rate borrowings				
– Convertible notes	6.64	543,234	6.64	592,787
Financial assets				
Floating rate assets				
– Bank balances	0.01-0.35	522	0.01 – 0.27	7,055

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 2014, it is estimated that a general decrease or increase of 100 (2013: 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$205,000 (2013: HK$362,000 (restated)). There is no impact on other components of equity.

The Company

At 31 March 2014, it is estimated that a general decrease or increase of 100 (2013: 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$5,000 (2013: HK$71,000). 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 2013.

(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**	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States Dollars ("USD")	**1,839**	28	**546**	–
Renminbi ("RMB")	**1,712**	10,569	**–**	–

44. FINANCIAL INSTRUMENTS (Continued)

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

(iv) Foreign currency risk management (Continued)

The Company

	Assets		Liabilities	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Renminbi ("RMB")	**89**	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% (2013: 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% (2013: 5%) against RMB. For a 5% (2013: 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	
	2014 HK$'000	2013 HK$'000
Profit or loss *(note)*	**86**	528

The Company

	Impact of RMB	
	2014 HK$'000	2013 HK$'000
Profit or loss *(note)*	**4**	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.

44. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value of financial instruments

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

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active markets are determined with reference to quoted market bid prices and ask prices respectively.

- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

- The fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

The Group

	2014		2013	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Financial liabilities				
Convertible notes	**543,234**	**541,592**	592,787	595,758
Promissory note	**44,609**	**45,016**	43,440	43,976

The Company

	2014		2013	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Financial liabilities				
Convertible notes	**543,234**	**541,592**	592,787	595,758

44. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value of financial instruments (Continued)

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, 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 2014

	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**
Financial assets at fair value through profit or loss	**10,485**	**–**	**–**	**10,485**

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

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

44. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value of financial instruments (Continued)

Reconciliation of Level 3 fair value measurements of financial assets

The Group

	Unlisted equity securities	
	2014	2013
	HK$'000	HK$'000
At the beginning of the year	**400**	67,141
Impairment losses recognised in profit or loss	**–**	(66,741)
At the end of the year	**400**	400

Note:

The unlisted equity securities was recognized 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 note and convertible note, 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:

	2014 HK$'000	2013 HK$'000 (Restated)
Debt *(note (a))*	**704,383**	726,883
Less: Cash and cash equivalents	**(20,609)**	(36,229)
Net debt	**683,774**	690,654
Equity *(note (b))*	**(407,939)**	(36,103)
Net debt and equity	**275,835**	654,551
Net debt to equity ratio	**248%**	106%

Notes:

(a) Debt comprises trade and other payables, finance lease payables, employee benefits, promissory note and convertible notes as detailed in note 31, 32, 33, 34 and 35 respectively.

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

46. EVENTS AFTER THE REPORTING PERIOD

(a) On 19 May 2014, APT Satellite TV Development Limited, a convertible note holder exercised its conversion right to convert the principal amount of HK$35,000,000 into 178,571,429 Shares. For more details, please refer to the Company's announcement dated 20 May 2014.

(b) On 20 May 2014, China Xinhua NNC, a convertible note holder exercised its conversion right to convert the principal amount of HK$20,000,000 into 102,040,816 Shares. For more details, please refer to the Company's announcement dated 20 May 2014.

(c) On 21 May 2014, AVIC Culture and CNC China have mutually agreed in writing to terminate the Advertisement Operation Cooperation Contract. As such, AVIC Culture will not settle the remaining amount of advertising fee due to CNC China which would then be paid to China Xinhua NNC and the Group due to the termination of the initial public offering application of AVIC Culture as announced by China Securities Regulatory Commission in April 2014. Accordingly, CNC China, China Xinhua NNC and the Group have mutually agreed to terminate the agreement concluded by CNC China and China Xinhua NNC and the advertisement broadcasting contract concluded by the Group and China Xinhua NNC on 24 August 2012 respectively on the same day. For more details, please refer to the Company's announcement dated 28 May 2014.

(d) Subsequent to the end of the reporting period, the Group has disposed of 17% equity interest in the share capital of China New Media (HK) Company Limited to an independent third party at a consideration of HK$400,000.

47. COMPARATIVES

As further explained in note 2 to the consolidated Financial Statements, due to the adoption of revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

48. APPROVAL OF FINANCIAL STATEMENTS

The Financial Statements were approved and authorised for issue by the Board of Directors on 11 June 2014.

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

	2014 HK$'000	2013 HK$'000 (Restated)	2012 HK$'000	2011 HK$'000	2010 HK$'000
Revenue	**324,331**	293,034	218,961	184,307	148,844
Cost of services	**(274,231)**	(248,252)	(197,190)	(162,107)	(121,872)
Gross profit	**50,100**	44,782	21,771	22,200	26,972
Other income	**30,961**	28,829	217	544	811
Other gains and losses	**(3,307)**	488	(3)	(2)	1
Amortisation expenses	**(59,463)**	(60,474)	(17,694)	–	–
Selling and distribution expenses	**(85)**	(423)	–	–	–
Administrative expenses	**(29,706)**	(27,615)	(32,732)	(10,737)	(6,754)
(Loss)/profit from operations	**(11,500)**	(14,413)	(28,441)	12,005	21,030
Finance costs	**(42,041)**	(41,425)	(13,852)	(341)	(634)
Impairment loss recognised in respect of trade receivables	**(9,469)**	–	–	–	–
Impairment loss recognised in respect of goodwill	**(151,194)**	–	(665,683)	–	–
Impairment loss recognised in respect of intangible assets	**(269,309)**	–	–	–	–
Impairment loss recognised in respect of available-for-sale financial assets	**–**	(66,741)	–	–	–
(Loss)/profit before income tax	**(483,513)**	(122,579)	(707,976)	11,664	20,396
Income tax	**52,221**	6,390	3,079	(1,918)	(3,558)
(Loss)/profit and total comprehensive (loss)/ income for the year	**(431,292)**	(116,189)	(704,897)	9,746	16,838

CONSOLIDATED FINANCIAL POSITION

As at 31 March

	2014 HK$'000	2013 HK$'000 (Restated)	2012 HK$'000	2011 HK$'000	2010 HK$'000
Non-current assets	**208,624**	674,380	788,289	12,711	13,308
Current assets	**124,333**	104,966	92,209	61,513	48,389
Total assets	**332,957**	779,346	880,498	74,224	61,697
Less: Current liabilities	**707,433**	88,498	84,451	26,659	36,873
Total assets less current liabilities	**(374,476)**	690,848	796,047	47,565	24,824
Less: Non-current liabilities	**33,463**	726,951	725,554	1,785	2,484
Total net (liabilities)/assets/Total equity	**(407,939)**	(36,103)	70,493	45,780	22,340

Note:

(a) *The summary of the financial information of the Group for each of the year ended 31 March 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.*