XINHUA NEWS MEDIA HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

ANNUAL REPORT 2010/2011

STOCK CODE : 309

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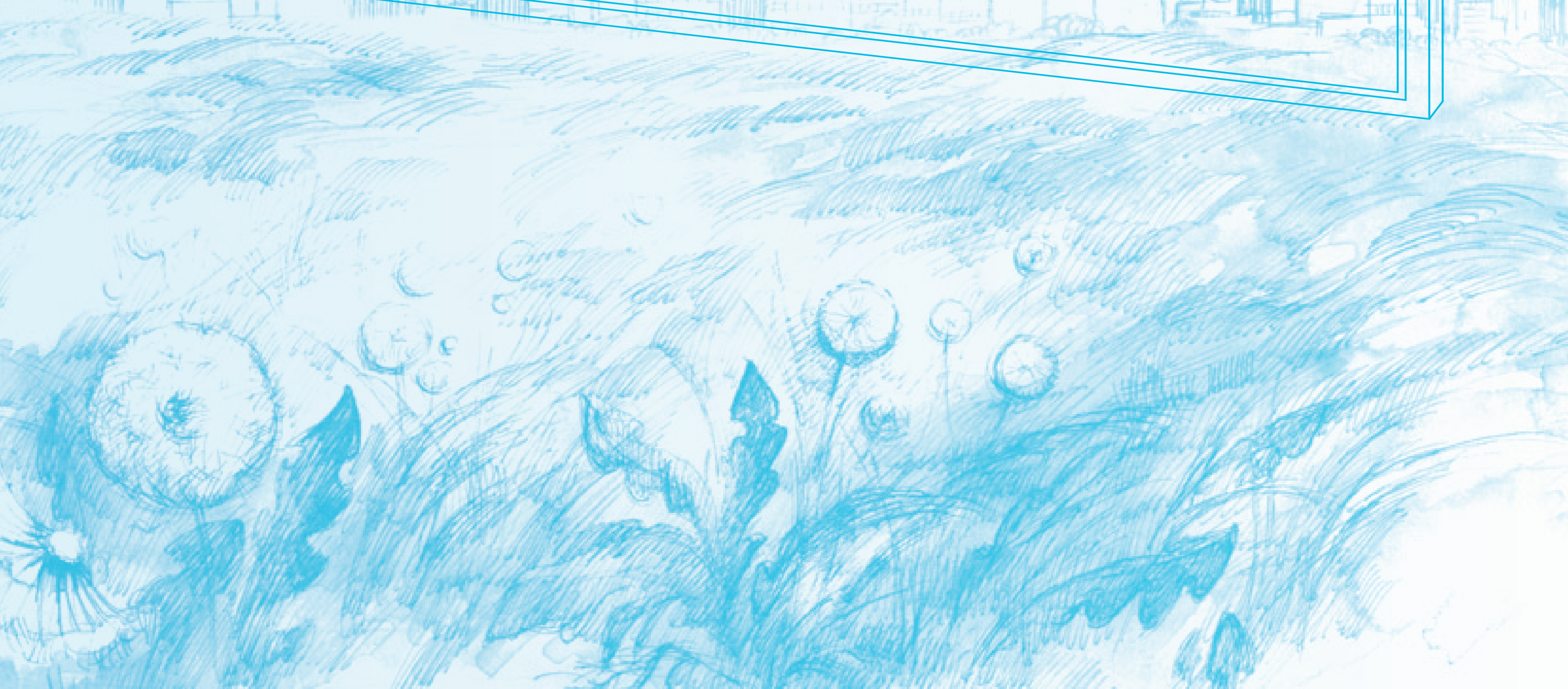

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ju Mengjun *(Co-chairman)*
Lo Kou Hong *(Co-chairman)*
Xu Zugen
Mao Hongcheng *(General Manager)*
Cheung Ming *(Chief Executive Officer)*
Ko Lok Ping, Maria Genoveffa
Leung Tai Tsan, Charles
Cheung Pui Keung, James

Non-executive Director

Xu Rong

Independent Non-executive Directors

Cheng Kai Tai, Allen
Chiu Wai Piu
Wang Qi

AUDIT COMMITTEE

Cheng Kai Tai, Allen *(Chairman)*
Chiu Wai Piu
Wang Qi

REMUNERATION COMMITTEE

Cheng Kai Tai, Allen *(Chairman)*
Chiu Wai Piu
Wang Qi
Lo Kou Hong
Leung Tai Tsan, Charles

COMPANY SECRETARY

Leung Tai Tsan, Charles

AUDITORS

Ernst & Young

SOLICITORS

King & Wood

CORPORATE INFORMATION

REGISTERED OFFICE

P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

3/F Caltex House
258 Hennessy Road
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Dah Sing Bank, Limited

STOCK CODE

309

COMPANY'S WEBSITE

www.xhnmedia.com

CO-CHAIRMEN'S STATEMENTS

Our Information, your competence

Dear Shareholders,

Based upon the abundant resources from world's leading newswire – Xinhua News Agency, Xinhua News Media Holdings Limited (XHN Media) delivers instant and quality information from every corner of the world, creating value for our investors and society at large.

We are in the middle of digital revolution, an era of digital information delivered through multimedia platforms. XHN Media aims to become the destination for first-hand and in-depth information, powered with innovative multi-platform presentations.

Our businesses focused on two areas: all-weather outdoor/indoor LCD screen and online news terminals. The outdoor screens are placed in attractive and traffic-heavy locations across Asia. Our information sites are designed to deliver instant image, video and written news. Our innovation in technology enables instant updates between the outdoor screens and news websites – maximize your audience and businesses.

People's capability is infinite, and talents are the driving force for world's advancement. We are committed to pursue professional excellence under the people-oriented spirit, utilizing our first-tier talents who are also the origins for our success. We aim to build an entrepreneurial environment for international talents, to nurture their creativity, to present their professional skills, to challenge them with exciting opportunities, and finally, to kindle and sustain their passion for constant excellence.

Towards this end, XHN media welcomes everyone with passion, ambition and skills. Together, we will hold on to very opportunity, overcome every obstacle, and win for our bright future as the world's leading information platform.

Ju Mengjun
Co-chairman

CO-CHAIRMEN'S STATEMENTS

Lo's Cleaning Services Ltd, a wholly-owned subsidiary of Xinhua News Media Holdings Ltd, was for the seventh year recognized as a Caring Company and thereafter awarded "Caring Company 5 years +" by the Hong Kong Council of Social Service.

Dear Shareholders,

On behalf of the Board of Directors (the "Board") of Xinhua News Media Holdings Limited (the "Company") and its subsidiaries (collectively the "Group"), I present to you the Group's annual results for the year ended 31 March 2011. The Group recorded a loss of HK$63,405,000 as compared with a loss of HK$22,887,000 last year. Revenue for the year was approximately HK$177,314,000, representing an increase of 0.22% from about HK$176,926,000 last year.

2011/2012 is going to be an exciting year for the Group, as the Group enters the television screen broadcast market, which involves the broadcast of news and information and advertisements on outdoor and indoor television screens, following the completion of the cooperation agreement with Xinhua News Agency Asia Pacific Regional Bureau Limited (APRB) on 24 May 2011. The ten-year free right granted by APRB to the Group, coupled with the business network of APRB, covering in particular enterprises with business operations in Mainland China, will provide the Group with a high-value entry into the media and advertising industry, and the opportunity to diversify our business scope and revenue base, which will in turn benefit the Group's future financial performance and shareholder value.

I would like to take this opportunity to welcome aboard Mr. Ju Mengjun, Co-chairman, and Mr. Xu Zugen and Mr. Mao Hongcheng, general manager, from APRB; and Mr. Cheung Ming, our new chief executive officer, who are joining the Board to lend us their expertise in the Group's business. Last but not least, I would like to express my heartfelt appreciation to our shareholders, customers and business partners for their continued support, and to our directors and staff for their dedication and tireless hard work during the year.

Lo Kou Hong
Co-chairman

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING ENVIRONMENT

With the United States pushing ahead with its second round of Quantitative Easing (QE2) in an attempt to stimulate its domestic economy, and other developed countries continuing to pursue accommodative monetary policies, excessive liquidity is flowing into financial markets, triggering asset-price bubbles and inflation. Some economists are of the opinion that these loose monetary policies have failed to deliver the desired results in generating a strong rebound in the economies of developed countries, although they have saved these countries from persistent recession and boosted public confidence.

The monetary policies of the People's Republic of China ("PRC") have changed from 'moderately loose' in 2010 to 'prudent' in 2011, revealing that a gradual tightening is to be expected, in order to curb inflation and subdue property speculation.

In relation to Hong Kong's economic integration with Mainland China, the twelfth 5-year plan promulgated by the central government has, among other things, once again consolidated Hong Kong as an international finance, trade and shipping centre and an offshore RMB business centre.

Following a relapse after the announcement of a special stamp duty, the residential property market in Hong Kong has resumed an upward trend. Overall prices in the first quarter of 2011 have surpassed the historic peaks of 1997, which was likely to be attributable to, firstly, low borrowing cost due to the persistent low interest rate environment throughout the year, and, secondly, capital inflows.

The job market improved significantly over the past year. The unemployment rate dropped from its high point when the financial tsunami hit in 2009 to the most recent figure of around 3.8%.

Facing a strong economic recovery, a soft US dollar and the continued rise in the price of food imported from the Mainland, inflationary pressure has gradually built up in Hong Kong, resulting in an acceleration of labour wages.

The statutory minimum wage came into force on 1 May 2011 at the initial statutory rate of $28.00 per hour. The implementation has had an impact on our businesses, most of which are labour-intensive. A working party within the Group has been formed to study the effects and smooth the way for the management of the change.

Cleaning, pest management, and stone maintenance and upkeep, in addition to sales of a series of stone maintenance products from a renowned Italian brand, remained the core businesses of the Group throughout the year and achieved steady progress.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

The Group's turnover for the year ended 31 March 2011 amounted to HK$177,314,000, representing a 0.2% increase as compared to the previous year. The loss for the Group for the year was HK$63,122,000 (2010: HK$22,887,000). Cleaning and related services business made a loss of HK$2,386,000, and the medical waste treatment business and the waste treatment business made losses of HK$2,048,000 and HK$20,724,000 respectively. Provisions for impairment losses in respect of medical wastes treatment segment and waste treatment segment were HK$12,681,000 and HK$11,264,000 respectively.

The cleaning and related services business has been the Group's main business and continues to make significant contribution to the Group's turnover. The two medical waste treatment plants in Siping City and Suihua City are in operation and turnover for both has improved from that of the previous year.

BUSINESS REVIEW

Cleaning services remained the principal business activity of the Group. We were successful in extending two contracts with one of the biggest flight kitchens in Hong Kong, for providing warewash and general cleaning services in their headquarters at the Hong Kong International Airport. Against a background of strong competition, the Group was able to secure several contracts for the provision of cleaning and related services for a grade-A office building in the prime location of Central; a superb composite development, comprising two high-rise and low-rise office blocks, a food court and a residential building with a shopping mall off the coast of Wanchai north; and a luxurious residential estate in Tai Wai, Shatin. Several major contracts were also renewed during the year, ranging from one year to three years.

The first cycle of curtain wall cleaning in a composite development, consisting of one high-rise hotel building and another high-rise apartment building standing in West Kowloon, was completed shortly after the Lunar New Year. The second cycle as per the contract is set to commence in the second quarter of 2011.

The two medical waste treatment centres of the Group in Siping City and Suihua City on the Mainland have been in smooth operation. The Siping Centre increased its charge to hospitals by over 25% following successful negotiations, and this will generate additional revenue to the Group.

Shuyang County is undergoing rapid development, and as a result, tons of industrial waste are generated regularly. The municipal solid waste being delivered to our plant still contains a substantial amount of industrial waste and medical waste. Our Group has been in continuous negotiation with the local government to carry out stringent monitoring and segregation to ensure the waste delivered to our plant is purely municipal solid waste. The full operation of the plant can only commence upon successfully resolving this issue with the local government. In the meantime, the Group is continuing its efforts to promote our organic fertilizers in Mainland China, Hong Kong and as far afield as North America.

The Group has consecutively for the seventh year been elected a 'Caring Company' by the Hong Kong Council of Social Service for caring for the community, employees and the environment, and has earned an "18 Districts Caring Employers 2010 Award" presented by the Labour and Welfare Bureau and associated charity organizations for our efforts in the employment of people with disabilities. The Group has also been appointed as Enterprise Ambassador by the Mental Health Association of Hong Kong for our promotion of care and concern in the community.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

As at 31 March 2011, the Group's cash and cash equivalents and pledged time deposits totalled HK$101,319,000 (2010: HK$39,812,000) and its current ratio was 4.33 (2010: 3.04). The Group's net assets were HK$199,647,000 (2010: HK$178,439,000).

As at 31 March 2011, the Group did not have any bank borrowings but the Group had a finance lease payable and loans from a director of HK$200,000 and HK$4,800,000 as at 31 March 2011 respectively (2010: Nil) and therefore, its gearing ratio, representing ratio of a finance lease payable and loans from a directors to shareholders' equity, was 2.5% (2010: Nil). The Group's shareholders' equity amounted to HK$199,647,000 as at 31 March 2011 (2010: HK$178,439,000).

The Group takes a prudent approach to cash management and risk control. Its revenues, expenses and capital expenditures in relation to the cleaning and related services business are transacted in Hong Kong ("HK") dollars, whereas those of the medical waste treatment business and waste treatment business are transacted in Renminbi ("RMB"). The Group's cash and bank balances are primarily denominated in HK dollars, RMB and United States dollars.

Foreign currency risks in relation to exchange rate fluctuations of RMB will be mitigated as future revenues from the medical waste treatment business and waste treatment business are primarily in RMB, which can offset future liabilities and expenses.

As at 31 March 2011, the Group's banking facilities were secured by the following:

(i) the pledge of certain of the Group's time deposits amounting to HK$14,029,000 (2010: HK$4,002,000); and

(ii) a corporate guarantee to the extent of HK$18 million (2010: HK$18 million) provided by the Company.

CONVERTIBLE NOTES

On 16 December 2008, the Company had issued zero-coupon convertible notes with a nominal value of HK$65 million to ITAD Biotechnology Limited, with a maturity date of 1 January 2012, as part of the total consideration for the acquisition of 70% equity interest Peixin Group Ltd.. Details of the conversion terms of the convertible notes are disclosed in the consolidated financial statements of the Company.

The convertible notes had already been adjusted downward last year by HK$65,000,000 due to the shortfall of targeted net profits. Accordingly, the equity component of the convertible notes of HK$65,000,000 had been transferred to the merger reserve. During the year ended 31 March 2011, no adjustment of convertible notes has been made due to the audited net loss of Shuyang ITAD Environmental Technology Limited for the year ended 31 December 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

EXERCISE OF WARRANTS PLACED ON 8 SEPTEMBER 2010

On 8 September 2010, an aggregate of 151,000,000 unlisted warrants have been successfully placed by the Company to not less than six placees who are third parties independent of and not connected to the Company and its connected persons, at the issue price of HK$0.015 per warrant and the subscription price of HK$0.51 per warrant. The subscription period for the warrants is from the date of issue of the warrants to the expiry, which is 18 months from the issue of the warrants.

Upon the exercise in full of the subscription rights attached to the warrants, a maximum of 151,000,000 shares of the Company will be issued and allotted.

On 23 November 2010, a total of 50,000,000 shares of HK$0.01 each were issued for cash at a subscription price of HK$0.51 per share as a result of the exercise of the Company's warrants made by certain warrantholders for a total cash consideration, before related expenses, of HK$25,500,000.

On 25 November 2010, a total of 35,000,000 shares of HK$0.01 each were issued for cash at a subscription price of HK$0.51 per share as a result of the exercise of the Company's warrants made by certain warrantholders for a total cash consideration, before related expenses, of HK$17,850,000.

On 30 November 2010, a total of 1,000,000 shares of HK$0.01 each were issued for cash at a subscription price of HK$0.51 per share as a result of the exercise of the Company's warrants made by certain warrantholders for a total cash consideration, before related expenses, of HK$510,000.

On 3 December 2010, a total of 4,000,000 shares of HK$0.01 each were issued for cash at a subscription price of HK$0.51 per share as a result of the exercise of the Company's warrants made by certain warrantholders for a total cash consideration, before related expenses, of HK$2,040,000.

On 10 December 2010, a total of 19,000,000 shares of HK$0.01 each were issued for cash at a subscription price of HK$0.51 per share as a result of the exercise of the Company's warrants made by certain warrantholders for a total cash consideration, before related expenses, of HK$9,690,000.

As at 31 March 2011, an aggregate of 42,000,000 unlisted warrants remained unexercised.

PLACING OF NEW SHARES AND WARRANTS

On 18 March 2011, an aggregate of 30,600,000 new shares have been successfully placed by the Company to not less than six placees who are third parties independent of and not connected to the Company and its connected persons, at the placing price of HK$0.70 per share.

On 18 March 2011, an aggregate of 30,600,000 unlisted warrants have been successfully placed by the Company to not less than six placees who are third parties independent of and not connected to the Company and its connected persons, at the issue price of HK$0.01 per warrant and the subscription price of HK$0.70 per warrant. The subscription period for the warrants is from the date of issue of the warrants to the expiry, which is 18 months from the issue of the warrants.

MANAGEMENT DISCUSSION AND ANALYSIS

Upon the exercise in full of the subscription rights attached to the warrants, a maximum of 30,600,000 shares of the Company will be issued and allotted. As at 31 March 2011, no warrantholders have exercised the subscription rights attached to the warrants.

The aggregate net proceeds from the placing of the 30,600,000 new shares and the 30,600,000 unlisted warrants at an issue price of HK$0.01 per warrant were HK$19,800,000. As at 27 June 2011, no warrantholders have exercised the subscription rights attached to the warrants.

On 3 May 2011, an aggregate of 45,900,000 new shares have been successfully placed by the Company to not less than six placees who are third parties independent of and not connected to the Company and its connected persons, at the placing price of HK$0.70 per share.

On 3 May 2011, an aggregate of 45,900,000 unlisted warrants have been successfully placed by the Company to not less than six placees who are third parties independent of and not connected to the Company and its connected persons, at the issue price of HK$0.01 per warrant and the subscription price of HK$0.70 per warrant. The subscription period for the warrants is from the date of issue of the warrants to the expiry, which is 18 months from the issue of the warrants.

Upon the exercise in full of the subscription rights attached to the warrants, a maximum of 45,900,000 shares of the Company will be issued and allotted. As at 31 March 2011, no warrantholders have exercised the subscription rights attached to the warrants.

The aggregate net proceeds from the placing of the 45,900,000 new shares and the 45,900,000 unlisted warrants at an issue price of HK$0.01 per warrant were HK$30,100,000. As at 27 June 2011, no warrantholders have exercised the subscription rights attached to the warrants.

CONTINGENT LIABILITIES

As at the end of the reporting period, the Group had contingent liabilities as follows:

(a) The Group has executed performance guarantees to the extent of an aggregate amount of HK$1,157,000 (2010: HK$1,468,000) in respect of certain services provided to various customers by the Group.

(b) The Group had a contingent liability in respect of possible future long service payments to employees under the Employment Ordinance, with a maximum possible amount of approximately HK$1,016,000 as at 31 March 2011 (2010: HK$1,532,000). The contingent liability has arisen because, at the end of the reporting period, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A provision of HK$592,000 (2010: HK$865,000) in respect of such payments has been made in the consolidated statement of financial position as at 31 March 2011.

(c) During the ordinary course of its business, the Group may from time to time be involved in litigation concerning personal injuries sustained by its employees or third party claimants. The Group maintains insurance cover and, in the opinion of the directors, based on current evidence, any such existing claims not provided for should be adequately covered by the insurance as at 31 March 2010 and 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees of the Group as at 31 March 2011 was 1,622 (2010: 1,541). Total staff costs, including directors' emoluments and net pension contributions, for the year under review amounted to HK$151,090,000 (2010: HK$159,202,000). The Group provides employees with training programmes to equip them with the latest skills.

Remunerations are commensurate with individual job nature, work experience and market conditions, and performance-related bonuses are granted to employees on discretionary basis. In addition, all employees of the Group, including some directors, are eligible to participate in the Company's share option scheme.

PROSPECTS

The Cooperation Agreement signed between the Company and Xinhua News Agency Asia-Pacific Regional Bureau Limited ("APRB") for the development of Television Screen Broadcast Business was concluded on 24 May 2011. The name of the Company has since been changed to Xinhua News Media Holdings Limited. Hence, the Company operates on a dual business model. APRB enjoys competitive advantage over other media/advertising industry players, in terms of cost and quality of media content, and an extensive business network particularly with enterprises operating in Mainland China. The Group strongly believes that such competitive advantage, together with the growing popularity of 'out-of-home' advertising as an advertising medium for marketing, will ensure that the new Television Screen Broadcast Business will be positive for earnings, and lead to diversification of the Group's business scope and revenue base.

As a result of the implementation of the statutory minimum wage in May 2011 and controversies relating to whether wage payments should include meal breaks and rest days, which have attracted heated debate in the community, some cleaning contracts are being offered for re-tendering on revised terms and conditions. With our competitive strength in the field, we are confident that we can capture this opportunity to secure more contracts; in particular for middle-to-high-end properties.

Additional new stonecare and maintenance products, specially formulated and manufactured by our Italian business partner for the Asian market, have been introduced and are receiving good response. The Group is optimistic that the market for the sale of these products will expand.

Our strategic direction for the next few years will be to capitalize on the competitive strengths of our dual business model and the burgeoning opportunities ahead.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Ju Mengjun, aged 54, is the Co-chairman of the Board, an Executive Director and a member of the Executive Committee of the Company. He joined the Company in May 2011. Mr. Ju has extensive journalistic (including interviewing, editing, and reviewing of news), international research and management experience. Mr. Ju is currently the president of Xinhua News Agency Asia-Pacific Regional Bureau and Xinhua News Agency Hong Kong Special Administrative Region Branch as well as a director of APRB (the substantial shareholder of the Company) and Xinhua News Agency Hong Kong Special Administrative Region Branch Limited. During his more than 30 years of employment with Xinhua News Agency, Mr. Ju has served various positions (including principal journalist, assistant to editor-in-chief, deputy chief editor and officer of the editor-in-chief office, etc.) in different departments and branches of Xinhua News Agency (including the international department and its Eurasia office, the Moscow Branch, the Alma Ata Branch and the editor-in-chief office of the headquarters). Mr. Ju graduated from the Department of Russian Language & Literature of Beijing University, has studied at Pushkin State Russian Language Institute, Moscow and has been a post-graduate.

Dr. Lo Kou Hong, aged 68, is the founder of the Group, an Executive Director, the Co-chairman of the Board (re-designated on 13 June 2011) and a member of both the Executive Committee and Remuneration Committee of the Company. He is also a director of certain subsidiaries of the Company. On 17 May 2011, Dr. Lo ceased to be the Chief Executive Officer of the Company. Prior to establishing Lo's Cleaning Services Limited in 1975, Dr. Lo served as a manager at a local property management company. He was appointed as a vice president of the Friends of Scouting in 2001. He was awarded an honorary doctorate degree in Business Management in 2003 by Burkes University in Turks & Caicos Islands in the British West Indies. Dr. Lo is the husband of Ms. Ko Lok Ping, Maria Genoveffa, an Executive Director of the Company, and the father of Ms. Lo-Quiroz Wai Chi, Yany, the Director of Corporate Affairs of the Group.

Mr. Xu Zugen, aged 58, is an Executive Director and a member of the Executive Committee of the Company. He joined the Company in May 2011. Mr. Xu has extensive experience in journalism, management and administration. Mr. Xu is currently the vice president of Xinhua News Agency Asia-Pacific Regional Bureau and Xinhua News Agency Hong Kong Special Administrative Region Branch as well as a director of APRB (the substantial shareholder of the Company) and Xinhua News Agency Hong Kong Special Administrative Region Branch Limited. During his more than 28 years of employment with Xinhua News Agency, Mr. Xu has served various positions (including journalist, officer of information services, vice-president and president of Yunnan Branch, president of Fujian Branch, officer of the photography department). He was also the general manager of China Photo Services, one of the largest enterprises in the photography industry in China. Mr. Xu holds a bachelor's degree in history from Yunnan University.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Mao Hongcheng, aged 49, is an Executive Director, the General Manager and a member of the Executive Committee of the Company. He joined the Company in May 2011. Mr. Mao has rich experience in finance, marketing, operation and management and abundant interpersonal relationship resources in China and Hong Kong. Mr. Mao is currently the general manager of Xinhua News Agency Asia-Pacific Regional Bureau and Xinhua News Agency Hong Kong Special Administrative Region Branch and the chairman of Golden Tripod (Holdings) Limited and Golden Tripod Technology Limited, which is an indirect wholly-owned subsidiary of Xinhua News Agency and a substantial shareholder of CDC Corporation, a company listed on the NASDAQ stock market principally engaged in providing enterprise software, online games, mobile services and applications, and internet and media services across North America, Europe, the Middle East, Africa and the Asia-Pacific region. Since 15 October 2009, Mr. Mao has been a non-executive director of China.com Inc. (a company listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited, Stock Code: 8006). During his 25 years of employment with Xinhua News Agency, Mr. Mao has been the finance director, the deputy general manager and the general manager for “Banyuetan”, one of Xinhua News Agency’s most popular journals. He was also the director and general manager of Xinhua Media Limited, the marketing manager of the Golden Tripod Group in Hong Kong, the director and general manager of N.C.N. Limited and the deputy general manager of China Photo Services. Mr. Mao is a senior economist of Xinhua News Agency. He graduated from the Beijing Institute of Finance and Trade.

Mr. Cheung Ming, aged 50, is an Executive Director and Chief Executive Officer of the Company. He joined the Company in May 2011. Mr. Cheung serves as an executive director of Hengli & Liqi Furniture Limited (“Hengli”), a Hong Kong company specializing in the production of furniture. Mr. Cheung has worked with Hengli since 1999. As an executive director of Hengli, Mr. Cheung is responsible for business development of Hengli. Prior to joining Hengli, Mr. Cheung served as a chief executive officer of a Hong Kong based retail company. Mr. Cheung has extensive business management experience, including 27 years of experience in the area of retail business in China, Hong Kong and Taiwan.

Ms. Ko Lok Ping, Maria Genoveffa, aged 64, is the co-founder of the Group, an Executive Director and a member of the Executive Committee of the Company. She is also a director of certain subsidiaries of the Company. Ms. Ko is responsible for overall planning and administration of the Group’s activities. She has been involved in the Group’s business since it was first established in 1975. She is the wife of Dr. Lo Kou Hong, the Co-chairman of the Board and the mother of Ms. Lo-Quiroz Wai Chi, Yany, the Director of Corporate Affairs of the Group.

Mr. Leung Tai Tsan, Charles, aged 58, is an Executive Director, the Finance Director, Company Secretary and a member of both the Executive Committee and Remuneration Committee of the Company. He is also a director of certain subsidiaries of the Company. Mr. Leung is responsible for finance, accounting, compliance and administration. He is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. Prior to joining the Group in 2001, he has over 23 years of experience in accounting, auditing and financial management.

Mr. Cheung Pui Keung, James, aged 34, is an Executive Director and a member of the Executive Committee of the Company. He is also a director of certain subsidiaries of the Company. Mr. Cheung is responsible for the overall operation of the Group. He joined the Group in October 1999 and has over 11 years of experience in cleaning and related services. He holds a Bachelor of Business Administration degree from the Lingnan University, Hong Kong, as well as a Master of Science in Real Estate degree from the University of Hong Kong.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Mr. Xu Rong, aged 47, is a Non-executive Director of the Company. He joined the Company in June 2010. Mr. Xu graduated from East China University of Political Science and Law in Shanghai and obtained a Bachelor's Degree in Economic Management from PLA Air Force Political Academy in Nanjing. He was an assistant fact-finder for the Procuratorate of Sanming City, Fujian between 1985 and 1990 and subsequently appointed as the deputy director of fact-finder for the Procuratorate of Pudong New Area, Shanghai between 1991 and 2001. Mr Xu resigned from the latter position in 2002. Since then, he has been actively engaged in business activities and has set up various companies. He is currently the general manager of Shanghai Huahe Binjiang Property Co. Ltd. and Shanghai Jiuhe Storage Co. Ltd. as well as the president of Sufan Catering Management Co. Ltd..

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheng Kai Tai, Allen, aged 47, is an Independent Non-executive Director and the Chairman of both the Audit Committee and Remuneration Committee of the Company. He joined the Group in August 2004. Mr. Cheng is a qualified accountant and a fellow of the Hong Kong Institute of Certified Public Accountants. He has practised as a Certified Accountant in Hong Kong for over 13 years. Mr. Cheng has extensive professional experience in audit, taxation, financial management, corporate recovery and restructuring. He holds a Master degree of accountancy in Jinan University in Mainland China, and is now acting as a consultant of a number of international companies with business interests in textile, retailing, metal trading and manufacturing in Mainland China. Mr. Cheng currently serves as an independent non-executive director of Amax Holdings Limited, Stock Code: 959 and New Environmental Energy Holdings Limited, Stock Code: 3989 (both companies are listed on the Main Board of the Stock Exchange of Hong Kong Limited).

Mr. Chiu Wai Piu, aged 64, is an Independent Non-executive Director and a member of both the Audit Committee and Remuneration Committee of the Company. He joined the Group in September 2004. Mr. Chiu is a very experienced and reputable journalist and has over 40 years' experience in journalism. He has been a reporter, an editor, the main news assignment editor, the local news assignment editor, the managing editor and the editorial writer in newspapers and a senior research officer in "One Country Two Systems Research Institute". Mr. Chiu has been the founding treasurer and the second-session chairman of the "Hong Kong Federation of Journalists". In 2006, he was elected as the Vice Secretary-General and Treasurer in the new session of re-election of committee members of the "Hong Kong Federation of Journalists"; and he was also elected as the Director-General in 2009. Mr. Chiu has, for many years, devoted himself wholeheartedly in boosting cooperation among local journalists, enhancing professional conduct of journalists and developing the relationship and advocating the interchange of knowledge between journalists in Hong Kong and Mainland China. His contribution in this field is highly praised and recognized. Mr. Chiu currently serves as an independent non-executive director of Jiwa Bio-Pharm Holdings Limited (a company listed on the Main Board of the Stock Exchange of Hong Kong Limited, Stock Code: 2327) and Mobile Telecom Network (Holdings) Limited (a company listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited, Stock Code: 8266).

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Wang Qi, aged 56, is an Independent Non-executive Director and a member of both the Audit Committee and Remuneration Committee of the Company. He joined the Group in August 2006. Mr. Wang is a director of Jingneng Property Co., Ltd. (a company listed on the Shanghai Stock Exchange, Stock Code: 600791), engaging in property development in Beijing. He is also the general manager of TianChuang Science and Technology Development Co. Ltd., engaging in investment of technologically related businesses. Mr. Wang is a qualified Senior Engineer and has over 20 years of experience in business management. He was a senior investment manager of China Commercial Construction Development Company from 1989 to 2000 and was responsible for the investment and listing projects of various companies in Mainland China. Mr. Wang also served as an Executive Officer to manage some of the investment projects of Regal Hotel International (RHI) from 1997 to 2000 and New World Group from 1993 to 2000 in Mainland China. In addition, Mr. Wang has devoted himself in developing the business connection and communication between Hong Kong and Mainland China in the field of business management and investment.

SENIOR MANAGEMENT

Ms. Lo-Quiroz Wai Chi, Yany, aged 29, is the Director of Corporate Affairs of the Group. She joined the Group in October of 2006 and is responsible for marketing the Group's medical and municipal solid waste treatment businesses in Mainland China and monitoring the development of the Group's cleaning business. Ms. Lo-Quiroz graduated from The University of British Columbia with a Bachelor's Degree in Arts, holds a Master's Degree in Environmental Management from The University of Hong Kong and a diploma in the Legal Studies from the HKU SPACE. She is the daughter of Dr. Lo Kou Hong, the Co-chairman of the Company.

Mr. Yu Shao Ming, aged 59, joined Shuyang ITAD Environmental Technology Limited in May 2010 and was appointed as General Manager. He is responsible for managing and overseeing the operations of Shuyang ITAD Environmental Technology Limited. He was the General Manager of Jinan Youbang Hengyu Science and Technology Development Co., Ltd. Mr. Yu graduated from Shandong Institute of Arts with a major in Directoring with tertiary qualification and is an undergraduate of Jiangxi Normal University with a major in Business Management by way of external study.

Mr. Li Hau Cheung, aged 63, is Deputy General Manager of Operations of the Group's cleaning and related business. He joined the Group in 2003 and has over 22 years of experience in the cleaning services business and 16 years in property management services. Mr. Li received his matriculation education in Hong Kong.

Ms. Kwok Wai Yee, Edith, aged 49, Deputy General Manager – Administration & Human Resources of the Group. She heads the Group's Administration & Human Resources team. She has over 26 years of experience in accounting, human resources and administration management.

Ms. Lee Pui Ching, Joanna, aged 41, is the Chief Accountant of the Group. Ms. Lee joined the Group in 2004. She holds a Bachelor of Accounting degree and is a member of Certified Public Accountant of Australia. She has over 19 years of experience in finance and accounting.

Ms. Fok Mun Ying, Susanna, aged 46, is the Sales and Customer Services Manager of the cleaning and related services division of the Group, responsible for liaising with clients and has over 21 years of experience in overseeing the division's sales and customer services activities. She joined the Group in 1984.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report for the year ended 31 March 2011.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

The Group recognizes the vital importance of good corporate governance to the Group's success and sustainability and wishes to highlight the indispensable role of its Board in ensuring effective leadership and control of the Company and transparency and accountability of all its operations.

The Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") sets out the principles of good corporate governance and two levels of corporate governance practices, being (i) the code provisions which listed issuers are expected to comply with or to give considered reasons for any deviation; and (ii) the recommended best practices, for guidance only, which listed issuers are encouraged to comply with.

In the opinion of the Board, the Company has complied with all the code provisions set out in the CG Code throughout the year under review, save for the deviation from the code provision A.2.1 during the period from 1 April 2010 to 16 May 2011 which requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Key corporate governance principles and practices of the Company as well as details of the said deviation are summarized below.

The Company is committed to reviewing and enhancing its corporate governance practices from time to time to ensure that its corporate governance practices continue to comply with the regulatory requirements and meet the rising expectations of shareholders and investors.

A. THE BOARD

1. Responsibilities

The Board is responsible for overall management of the Company. Its main roles are to provide leadership and to approve strategic policies and plans with a view to enhancing shareholder value. All directors have carried out their duties in good faith, in compliance with applicable laws and regulations and in the interests of the Company and its shareholders at all times.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary and senior management, with a view to ensuring compliance with Board procedures and all applicable laws and regulations. Any director may request independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request made to the Board.

The Board reserves for its decision all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

The day-to-day management, administration and operation of the Company are delegated to the executive directors and senior management of the Company. The delegated functions and work tasks are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers. The Board has the full support of the senior management to discharge its responsibilities.

CORPORATE GOVERNANCE REPORT

2. Board Composition

The Board currently comprises the following members:

Executive directors:
Mr. Ju Mengjun
Co-chairman of the Board and Member of Executive Committee
Dr. Lo Kou Hong
Co-chairman of the Board and Member of both the Executive Committee and Remuneration Committee
Mr. Xu Zugen
Member of Executive Committee
Mr. Mao Hongcheng
General Manager and Member of Executive Committee
Mr. Cheung Ming
Chief Executive Officer and Member of Executive Committee
Ms. Ko Lok Ping, Maria Genoveffa
Member of Executive Committee
Mr. Leung Tai Tsan, Charles
Member of both the Remuneration Committee and Executive Committee
Mr. Cheung Pui Keung, James
Member of Executive Committee

Non-executive director:
Mr. Xu Rong

Independent non-executive directors:
Mr. Cheng Kai Tai, Allen
Chairman of both the Audit Committee and Remuneration Committee
Mr. Chiu Wai Piu
Member of both the Audit Committee and Remuneration Committee
Mr. Wang Qi
Member of both the Audit Committee and Remuneration Committee

The list of directors (by category) is set out under the section headed “Corporate Information” in this annual report and is also disclosed in all corporate communications issued by the Company from time to time, with the independent non-executive directors expressly identified pursuant to the Listing Rules.

The biographical details of the directors of the Company and the relationships among them, if any, are disclosed under the section headed “Biographical Information of Directors and Senior Management” in this annual report.

CORPORATE GOVERNANCE REPORT

The composition of the Board reflects the necessary balance of skills and experience appropriate to the requirements of the business of the Company and to the exercising of independent judgement. All directors, including non-executive directors and independent non-executive directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive directors have been invited to serve on the Audit and Remuneration Committees of the Company.

During the year ended 31 March 2011, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with one independent non-executive director, being Mr. Cheng Kai Tai, Allen, possessing appropriate professional qualifications and accounting and related financial management expertise.

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

3. Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

During the period from 1 April 2010 to 16 May 2011, Dr. Lo Kou Hong was both the Chairman of the Board and Chief Executive Officer of the Company. He is the founder of the Group and has extensive experience in the cleaning and related services. The Board was of the view that Dr. Lo's taking up of both roles during the period provided the Group with strong and consistent leadership and allowed for more effective and efficient business planning and decisions as well as execution of long-term business strategies.

The situation has changed with the addition of the Television Screen Broadcast Business in Company business, as a result of the Cooperation Agreement between the Company and APRB and the consequent change of name of the Company to Xinhua News Media Holdings Limited (details of which were disclosed in the Company's announcement and circular dated 29 November 2010 and 11 March 2011 respectively). Roles and titles of senior management have been re-designated, as follows:

(i) Mr. Cheung Ming has been appointed as Executive Director and Chief Executive Officer of the Company since 17 May 2011; and

(ii) Mr. Ju Mengjun and Dr. Lo Kou Hong have been re-designated as Co-chairman of the Board since 13 June 2011.

Accordingly, the Company has duly complied with the said code provision A.2.1 of the CG Code since 17 May 2011. The Board considers that the separation of roles in the aforesaid re-designation of titles is appropriate to our current dual business focus, as it enables Mr. Cheung Ming as Chief Executive Officer and Dr. Lo as Co-chairman of the Board, in conjunction with Mr. Ju as Co-chairman contributing his experience in the new business, to each focus on the relevant business, thus strengthening development of the Company as a whole.

CORPORATE GOVERNANCE REPORT

4. Appointment, Re-election and Removal of directors

Each of Dr. Lo Kou Hong, Ms. Ko Lok Ping, Maria Genoveffa, Mr. Leung Tai Tsan, Charles and Mr. Cheung Pui Keung, James, the executive directors of the Company, is engaged on a service contract with the Company which will continue unless and until terminated by either party by not less than three/six months' written notice. Besides, each of Mr. Ju Mengjun, Mr. Xu Zugen, Mr. Mao Hongcheng and Mr. Cheung Ming, the executive directors of the Company, is engaged for a term of two years.

The Company has issued respective letters of appointment to its non-executive director and independent non-executive directors specifying their term of appointment. Mr. Xu Rong, who was appointed as a non-executive director on 23 June 2010, is engaged for a term of about one year up to the date of holding the Company's 2011 annual general meeting. The current term of office of all the independent non-executive directors is one year up to the date of holding the Company's 2011 annual general meeting.

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's Articles of Association. In accordance with the Company's Articles of Association, all the existing directors of the Company are subject to retirement by rotation at least once every three years and are eligible for re-election at annual general meeting of the Company and any new director appointed by the Board to fill a casual vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the first general meeting after his/her appointment.

Pursuant to the aforesaid, Mr. Ju Mengjun, Mr. Xu Zugen, Mr. Mao Hongcheng and Mr. Cheung Ming, having been appointed as executive directors of the Company in May 2011, shall retire and are eligible to offer themselves for re-election at the forthcoming 2011 annual general meeting. In addition, Dr. Lo Kou Hong, Mr. Cheung Pui Keung, James and Mr. Chiu Wai Piu shall retire by rotation and are eligible to offer themselves for re-election at the Company's forthcoming 2011 annual general meeting. The Board recommends the re-appointment of the said seven directors standing for re-election at the said meeting. The Company's circular, being sent to all the shareholders together with this annual report, contains detailed information of such directors.

The Company has not set up a nomination committee and the Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment, re-appointment and succession planning of directors and assessing the independence of independent non-executive directors. In addition, the Company has adopted "Directors' Nomination Procedures" as written guidelines in providing formal, considered and transparent procedures to the Board for evaluating and selecting candidates for directorships. Where vacancies on the Board exist, the Board will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations.

During the year ended 31 March 2011, the Board, through its meetings held on 23 June 2010 and 15 July 2010 (with all the then directors of the Company present at such meetings except for Mr. Xu Rong), has appointed Mr. Xu Rong as a non-executive director of the Company, reviewed the Board composition, assessed the independence of the independent non-executive directors and recommended the re-election of the retiring directors standing for re-election at the 2010 annual general meeting of the Company.

CORPORATE GOVERNANCE REPORT

5. Induction and Continuing Development of Directors

All the directors of the Company, including the newly appointed directors, Mr. Ju Mengjun, Mr. Xu Zugen, Mr. Mao Hongcheng and Mr. Cheung Ming, received an induction on appointment to ensure appropriate understanding of the business and operation of the Group and full awareness of director responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

Directors of the Company are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Continuing briefing and professional development to directors will be arranged whenever necessary.

6. Board meetings

Board Practices and Conduct of Meetings

Schedules for regular Board meetings are normally agreed with the directors in advance in order to facilitate them to attend. In addition to the above, notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Draft agenda of each meeting are normally made available to directors in advance. In addition, board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or committee meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

The Chairman, the Finance Director, also the Company Secretary and all other relevant senior management normally attend all regular Board meetings and when necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

The Company Secretary is responsible to keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to directors for comments within a reasonable time after each meeting and the final version is open for directors' inspection.

The Company's Articles of Association contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest. According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting.

CORPORATE GOVERNANCE REPORT

Directors' Attendance Records

During the year ended 31 March 2011, four regular Board meetings were held at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company. The individual attendance records of each director at the Board meetings during the year ended 31 March 2011 are set out below:

Name of Directors	Attendance/Number of Meetings
Mr. Ju Mengjun *(Note 1)*	N/A
Dr. Lo Kou Hong	4/4
Mr. Xu Zugen *(Note 1)*	N/A
Mr. Mao Hongcheng *(Note 1)*	N/A
Mr. Cheung Ming *(Note 1)*	N/A
Ms. Ko Lok Ping, Maria Genoveffa	4/4
Mr. Leung Tai Tsan, Charles	4/4
Mr. Cheung Pui Keung, James	4/4
Mr. Xu Rong *(Note 2)*	0/4
Mr. Cheng Kai Tai, Allen	4/4
Mr. Chiu Wai Piu	4/4
Mr. Wang Qi	4/4

Notes:

1. *Mr. Ju Mengjun, Mr. Xu Zugen, Mr. Mao Hongcheng and Mr. Cheung Ming were appointed as executive directors of the Company in May 2011. Accordingly, the attendance at the Board meetings held during the year ended 31 March 2011 is not applicable to them.*

2. *Mr. Xu Rong was appointed as a non-executive director of the Company on 23 June 2010. A total of 4 regular Board meetings were held from the date of his appointment to 31 March 2011.*

7. Model Code for Securities Transactions

The Company has adopted its own code of conduct governing directors' dealings in the Company's securities (the "Own Code") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made to all the directors and all of them have confirmed that they have complied with the Own Code and the Model Code throughout the year ended 31 March 2011.

The Company also has established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for governing the securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company or its securities. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

CORPORATE GOVERNANCE REPORT

B. BOARD COMMITTEES

The Board has established three Board committees, namely, the Executive Committee, the Remuneration Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference, which are posted on the Company's website and are available to shareholders upon request. All the Board Committees should report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the Board meetings set out in section A6 above.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

1. Executive Committee

The Executive Committee comprises all the executive directors of the Company. The Executive Committee operates as a general management committee under the direct authority of the Board to increase the efficiency for the business decision. It monitors the execution of the Company's strategic plans and operations of all business units of the Group and discusses and makes decisions on matters relating to the management and day-to-day operations of the Group.

2. Remuneration Committee

The Remuneration Committee comprises five members, being three independent non-executive directors, namely, Mr. Cheng Kai Tai, Allen (Chairman), Mr. Chiu Wai Piu and Mr. Wang Qi; and two executive directors, namely, Dr. Lo Kou Hong and Mr. Leung Tai Tsan, Charles. Accordingly, the majority of the members are independent non-executive directors.

The duties of the Remuneration Committee are mainly to (i) make recommendations on the establishment of procedures for developing remuneration policy and structure of the executive directors and the senior management, such policy shall ensure that no director or any of his/her associates will participate in deciding his/her own remuneration; (ii) make recommendations on the remuneration packages of the executive directors and the senior management; and (iii) review and approve the remuneration packages of the executive directors and the senior management by reference to the performance of the individual and the Company as well as market practice and conditions.

Human Resources Department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee consults with the Chairman/Chief Executive Officer of the Company about these recommendations on remuneration policy and structure and remuneration packages.

CORPORATE GOVERNANCE REPORT

During the year ended 31 March 2011, the Remuneration Committee met twice and reviewed and discussed the remuneration policy and structure of the Group, the current remuneration packages of the directors and senior management of the Group and recommended the remuneration package of Mr. Xu Rong, the additional director appointed during the year. The individual attendance records of each member at the Remuneration Committee meeting are set out below:

Name of Remuneration Committee Members	Attendance/Number of Meetings
Mr. Cheng Kai Tai, Allen	2/2
Mr. Chiu Wai Piu	2/2
Mr. Wang Qi	2/2
Dr. Lo Kou Hong	0/2
Mr. Leung Tai Tsan, Charles	2/2

3. Audit Committee

The Audit Committee comprises three members, being the three independent non-executive directors, namely, Mr. Cheng Kai Tai, Allen, Mr. Chiu Wai Piu and Mr. Wang Qi. The Chairman of the Audit Committee is Mr. Cheng Kai Tai, Allen who possesses the appropriate professional qualifications or accounting or related financial management expertise. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The duties of the Audit Committee are mainly to (i) review the financial statements and reports and consider any significant or unusual items raised by the financial officers of the Group or external auditors before submission to the Board; (ii) review and monitor the external auditors' independence and objectively and the effectiveness of the audit process; (iii) make recommendation to the Board on the appointment, re-appointment and removal of external auditors; and (iv) review the adequacy and effectiveness of the Company's financial reporting system, internal control system, risk management system and associated procedures.

During the year ended 31 March 2011, the Audit Committee has met twice and reviewed the financial statements, results announcements and reports for the year ended 31 March 2010 and for the six months ended 30 September 2010, the financial reporting and compliance procedures, and the report from the senior management on the Company's internal control and risk management; and considered the re-appointment of external auditors. The external auditors were invited to attend one of the meetings to discuss with the Audit Committee on issues arising from the audit and financial reporting matters. There is no disagreement between the Board and the Audit Committee regarding the re-appointment of external auditors.

The attendance records of members at the said two Audit Committee meetings during the year ended 31 March 2011 are set out below:

Name of Audit Committee Members	Attendance/Number of Meetings
Mr. Cheng Kai Tai, Allen	2/2
Mr. Chiu Wai Piu	2/2
Mr. Wang Qi	2/2

CORPORATE GOVERNANCE REPORT

C. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF THE FINANCIAL STATEMENTS

The directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 March 2011.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

D. INTERNAL CONTROLS

The Board has overall responsibility for the internal control system of the Group. The Board is responsible for maintaining an adequate internal control system to safeguard shareholders' investments and the Group's assets and for reviewing the effectiveness of such system on an annual basis. The senior management reviews and evaluates the control process, monitors any risk factors on a regular basis and reports to the Audit Committee on any findings and measures to address the variances and identified risks.

During the year under review, the Board, through the Audit Committee, conducted a review of the effectiveness of the internal control system of the Company including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

E. EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The statement of the external auditors of the Company about their reporting responsibilities on the Company's financial statements for the year ended 31 March 2011 is set out in the section headed "Independent Auditors' Report" in this annual report.

The fees paid/payable to the Company's external auditors in respect of audit services and non-audit services for the year ended 31 March 2011 are analyzed below:

Types of services provided by the external auditors	**Fees paid/payable** *HK$*
Audit services	1,100,000
Non-audit services: Include a review of interim financial statements, tax services fee, issuance of Form A of the Group's Occupational Retirement Scheme and review on very substantial acquisition	427,541
TOTAL:	1,527,541

CORPORATE GOVERNANCE REPORT

F. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

To promote effective communication, the Company maintains a website at "www.xhnmedia.com" as a communication platform with shareholders and investors, where extensive information and updates on the Group's financial information, corporate governance practices and other information are available for public access. Shareholders and investors may write directly to the Company at its principal place of business in Hong Kong for any inquiries. Inquiries are dealt with in an informative and timely manner.

The Company continues to enhance communication and relationship with its investors. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them informed of the Group's developments.

The Board welcomes views of shareholders and encourages them to attend general meetings to raise any concerns they might have with the Board or the management directly. The Chairman of the Board as well as the Chairmen and/or other members of the Audit Committee and Remuneration Committee will normally attend the annual general meetings and other shareholders' meetings of the Company to answer questions raised.

The 2010 annual general meeting of the Company was held on 31 August 2010 and the notice of such meeting was sent to shareholders at least 20 clear business days before the meeting. The extraordinary general meeting was held on 8 April 2011 and the notice of such meeting was sent to shareholders at least 10 clear business days before the meeting.

G. SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at shareholders' meetings, including the election of individual directors.

All resolutions proposed at shareholder meetings will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.xhnmedia.com) immediately after the relevant general meetings.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2011.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at the extraordinary general meeting of the Company held on 8 April 2011, the name of the Company was changed from "Lo's Enviro-Pro Holdings Limited 勞氏環保控股有限公司" to "Xinhua News Media Holdings Limited 新華通訊頻媒控股有限公司". The change of name was effective on 24 May 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Company's subsidiaries are set out in note 16 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Since May 2011, the Group is also engaged in the development of the business of advertisement and information broadcasting on indoor and outdoor television screens in the Asia-Pacific Region.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2011 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 42 to 115.

The directors do not recommend the payment of any dividend in respect of the year.

SUMMARY FINANCIAL INFORMATION

A summary of the results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out on page 116. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Details of movements in the Company's share capital, share options and warrants during the year are set out in notes 28 and 29 to the financial statements.

REPORT OF THE DIRECTORS

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 30 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2011, the Company had no reserves available for distribution. The Company's share premium account, in the amount of HK$245,147,000, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 66% of the total sales for the year, and sales to the largest customer included therein amounted to approximately 35%.

Purchases from the Group's five largest suppliers accounted for approximately 64% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 23%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

REPORT OF THE DIRECTORS

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:
Mr. Ju Mengjun *(Co-chairman)* (appointed on 24 May 2011)
Dr. Lo Kou Hong *(Co-chairman)*
Mr. Xu Zugen (appointed on 24 May 2011)
Mr. Mao Hongcheng (appointed on 24 May 2011)
Mr. Cheung Ming (appointed on 17 May 2011)
Ms. Ko Lok Ping, Maria Genoveffa
Mr. Leung Tai Tsan, Charles
Mr. Cheung Pui Keung, James

Non-executive directors:
Mr. Xu Rong (appointed on 23 June 2010)
Professor Bai Qingzhong (retired on 31 August 2010)

Independent non-executive directors:
Mr. Cheng Kai Tai, Allen
Mr. Chiu Wai Piu
Mr. Wang Qi

According to Article 112 of the Company's Articles of Association, Dr. Lo Kou Hong, Mr. Cheung Pui Keung, James and Mr. Chiu Wai Piu shall retire by rotation at the 2011 annual general meeting of the Company whereas according to Article 95 of the Company's Articles of Association, Mr. Ju Mengjun, Mr. Xu Zugen, Mr. Mao Hongcheng and Mr. Cheung Ming (appointed by the Board in May 2011) shall retire at the 2011 annual general meeting. All the above retiring directors, being eligible, will offer themselves for re-election at the said meeting.

The Company has received annual confirmations of independence from Mr. Cheng Kai Tai, Allen, Mr. Chiu Wai Piu and Mr. Wang Qi and as at the date of this report still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 12 to 15 of the annual report.

DIRECTORS' SERVICE CONTRACTS

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

REPORT OF THE DIRECTORS

DIRECTORS' REMUNERATION

Directors' remuneration is determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 35(a) and (b) to the financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries and fellow subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2011, the interests of the directors of the Company in the shares and underlying shares of the Company and its associated corporations as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance (the "SFO"); or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

A.(1) Interests in shares of the Company

Name of director	Long/Short position	Capacity	Number of ordinary shares	Percentage* of the Company's issued share capital
Dr. Lo Kou Hong	Long	Founder of a discretionary trust	80,000,000 *(Note (1))*	8.83%
	Long	Interest of spouse	1,700,000 *(Note (2))*	0.19%
Ms. Ko Lok Ping, Maria Genoveffa	Long	Beneficiary of a discretionary trust	80,000,000 *(Note (1))*	8.83%
	Long	Beneficial owner	1,700,000 *(Note (2))*	0.19%
Mr. Leung Tai Tsan, Charles	Long	Beneficial owner	1,900,000	0.21%
Mr. Cheung Pui Keung, James	Long	Beneficial owner	1,480,000	0.16%

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (continued)

A.(1) Interests in shares of the Company (continued)

Notes:

(1) These shares were owned by The Lo's Family (PTC) Limited in its capacity as the trustee of The Lo's Family Unit Trust, a unit trust of which all the units in issue were owned by Equity Trustee Limited as the trustee of The Lo's Family Trust, a discretionary trust of which the objects included Dr. Lo Kou Hong's family members.

Accordingly, Dr. Lo Kou Hong, as the founder of The Lo's Family Trust, and Ms. Ko Lok Ping, Maria Genoveffa, as one of the beneficiaries of The Lo's Family Trust, were deemed to be interested in the shares owned by The Lo's Family (PTC) Limited in its capacity as the trustee of The Lo's Family Unit Trust under Part XV of the SFO.

(2) Dr. Lo Kou Hong was deemed to be interested in the 1,700,000 shares of the Company through interest of his spouse, Ms. Ko Lok Ping, Maria Genoveffa.

* The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 March 2011.

A.(2) Interests in underlying shares of the Company – physically settled unlisted equity derivatives

Name of director	Long/Short position	Capacity	Number of underlying shares in respect of the share options granted	Percentage* of the underlying shares over the Company's issued share capital
Dr. Lo Kou Hong	Long	Beneficial owner	9,400,000	1.04%
	Long	Interest of spouse	9,400,000 *(Note (1))*	1.04%
Ms. Ko Lok Ping, Maria Genoveffa	Long	Beneficial owner	9,400,000	1.04%
	Long	Interest of spouse	9,400,000 *(Note (2))*	1.04%
Mr. Leung Tai Tsan, Charles	Long	Beneficial owner	5,000,000	0.55%
Mr. Cheung Pui Keung, James	Long	Beneficial owner	6,000,000	0.66%

Details of the above share options as required to be disclosed by the Listing Rules have been disclosed in the section headed "Share option scheme" below.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (continued)

A.(2) Interests in underlying shares of the Company – physically settled unlisted equity derivatives (continued)

Notes:

(1) Dr. Lo Kou Hong was deemed to be interested in the 9,400,000 share options of the Company through interest of his spouse, Ms. Ko Lok Ping, Maria Genoveffa.

(2) Ms. Ko Lok Ping, Maria Genoveffa was deemed to be interested in the 9,400,000 share options of the Company through interest of her spouse, Dr. Lo Kou Hong.

* The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 31 March 2011.

A.(3) Interests in convertible notes of the Company

Name of director	Long/Short position	Capacity	Number of underlying shares in respect of the convertible notes issued	Percentage* of the underlying shares over the Company's issued share capital
Dr. Lo Kou Hong	Long	Interest held by controlled corporation	83,870,968 *(Note)*	9.25%
Ms. Ko Lok Ping, Maria Genoveffa	Long	Interest held by controlled corporation	83,870,968 *(Note)*	9.25%

Note: These convertible notes were held by Triple Kind Investments Limited, the entire issued share capital of which was owned as to 50% by Dr. Lo Kou Hong and 50% by Ms. Ko Lok Ping, Maria Genoveffa.

* The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 31 March 2011.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (continued)

B.(1) Associated corporation – Peixin Group Ltd. ("Peixin"), a subsidiary of the Company

Name of director	Long/Short position	Capacity	Number of ordinary shares in Peixin	Percentage* of Peixin's issued share capital
Dr. Lo Kou Hong	Long	Interest held by controlled corporations	42 shares *(Note)*	30%
Ms. Ko Lok Ping, Maria Genoveffa	Long	Interest held by controlled corporations	42 shares *(Note)*	30%

Note: The 42 shares in Peixin were held through the controlled corporations of Dr. Lo Kou Hong and Ms. Ko Lok Ping, Maria Genoveffa. As such, Dr. Lo Kou Hong and Ms. Ko Lok Ping, Maria Genoveffa were deemed to be interested in such shares pursuant to Part XV of the SFO.

* The percentage represents the number of ordinary shares interested divided by the number of Peixin's issued shares as at 31 March 2011.

B.(2) Associated corporation – Shuyang ITAD Environmental Technology Limited ("Shuyang ITAD"), a subsidiary of the Company

Name of director	Long/Short position	Capacity	Amount of registered capital in Shuyang ITAD	Percentage* of Shuyang ITAD's issued share capital
Dr. Lo Kou Hong	Long	Interest held by controlled corporation	RMB62,500,000 *(Note)*	100%
Ms. Ko Lok Ping, Maria Genoveffa	Long	Interest held by controlled corporations	RMB62,500,000 *(Note)*	100%

Note: The registered capital in Shuyang ITAD was held through the controlled corporations of Dr. Lo Kou Hong and Ms. Ko Lok Ping, Maria Genoveffa. As such, Dr. Lo Kou Hong and Ms. Ko Lok Ping, Maria Genoveffa were deemed to be interested in such registered capital pursuant to Part XV of the SFO.

* The percentage represents the amount of registered capital interested divided by the total amount of Shuyang ITAD's registered capital as at 31 March 2011.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (continued)

In addition to the above, as at 31 March 2011, certain directors of the Company held shares in certain subsidiaries of the Company in a non-beneficial capacity, solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, as at 31 March 2011, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, nor had there been any grant or exercise of rights of such interests during the year ended 31 March 2011.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' interests in the shares and underlying shares of the Company and its associated corporations" above and in the section headed "Share option scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details of the Scheme are disclosed in note 29 to the financial statements.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME (continued)

The following table discloses movements in the Company's share options outstanding during the year:

Name or category of participant	Number of share options: At 1 April 2010	Number of share options: Lapsed during the year	Number of share options: At 31 March 2011	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$ per share
Directors						
Dr. Lo Kou Hong	6,000,000	–	6,000,000	12-5-05	22-4-05 to 21-4-15	0.275
	680,000	–	680,000	22-2-07	22-2-08 to 21-2-12	1.41
	680,000	–	680,000	22-2-07	22-2-09 to 21-2-12	1.41
	680,000	–	680,000	22-2-07	22-2-10 to 21-2-12	1.41
	680,000	–	680,000	22-2-07	22-2-11 to 21-2-12	1.41
	680,000	–	680,000	22-2-07	22-11-11 to 21-2-12	1.41
	9,400,000	–	9,400,000			
Ms. Ko Lok Ping, Maria Genoveffa	6,000,000	–	6,000,000	12-5-05	22-4-05 to 21-4-15	0.275
	680,000	–	680,000	22-2-07	22-2-08 to 21-2-12	1.41
	680,000	–	680,000	22-2-07	22-2-09 to 21-2-12	1.41
	680,000	–	680,000	22-2-07	22-2-10 to 21-2-12	1.41
	680,000	–	680,000	22-2-07	22-2-11 to 21-2-12	1.41
	680,000	–	680,000	22-2-07	22-11-11 to 21-2-12	1.41
	9,400,000	–	9,400,000			
Mr. Leung Tai Tsan Charles,	3,000,000	–	3,000,000	12-5-05	22-4-05 to 21-4-15	0.275
	400,000	–	400,000	22-2-07	22-2-08 to 21-2-12	1.41
	400,000	–	400,000	22-2-07	22-2-09 to 21-2-12	1.41
	400,000	–	400,000	22-2-07	22-2-10 to 21-2-12	1.41
	400,000	–	400,000	22-2-07	22-2-11 to 21-2-12	1.41
	400,000	–	400,000	22-2-07	22-11-11 to 21-2-12	1.41
	5,000,000	–	5,000,000			

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME (continued)

The following table discloses movements in the Company's share options outstanding during the year: (continued)

Name or category of participant	Number of share options: At 1 April 2010	Number of share options: Lapsed during the year	Number of share options: At 31 March 2011	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$ per share
Directors						
Mr. Cheung Pui Keung, James	4,000,000	–	4,000,000	12-5-05	22-4-05 to 21-4-15	0.275
	400,000	–	400,000	22-2-07	22-2-08 to 21-2-12	1.41
	400,000	–	400,000	22-2-07	22-2-09 to 21-2-12	1.41
	400,000	–	400,000	22-2-07	22-2-10 to 21-2-12	1.41
	400,000	–	400,000	22-2-07	22-2-11 to 21-2-12	1.41
	400,000	–	400,000	22-2-07	22-11-11 to 21-2-12	1.41
	6,000,000	–	6,000,000			
Other employees						
In aggregate	–	–	–	12-5-05	22-4-05 to 21-4-15	0.275
	1,780,000	(440,000)	1,340,000	22-2-07	22-2-08 to 21-2-12	1.41
	1,780,000	(440,000)	1,340,000	22-2-07	22-2-09 to 21-2-12	1.41
	1,780,000	(440,000)	1,340,000	22-2-07	22-2-10 to 21-2-12	1.41
	1,780,000	(440,000)	1,340,000	22-2-07	22-2-11 to 21-2-12	1.41
	1,780,000	(440,000)	1,340,000	22-2-07	22-11-11 to 21-2-12	1.41
	8,900,000	(2,200,000)	6,700,000			
	38,700,000	(2,200,000)	36,500,000			

Notes to the table of share options outstanding during the year:

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

No share options have been granted/exercised/cancelled during the year.

A resolution regarding the refreshment of the existing scheme mandate limit of the Scheme will be proposed at the Company's forthcoming annual general meeting.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2011, the following persons (other than the directors and chief executives of the Company) had interests of 5% or more in the issued shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

(1) Interests in shares of the Company

Name of substantial shareholder	Long/Short position	Capacity	Number of ordinary shares	Percentage* of the Company's Issued share capital
The Lo's Family (PTC) Limited	Long	Trustee	80,000,000 *(Note (1))*	8.83%
Equity Trustee Limited	Long	Trustee	80,000,000 *(Note (1))*	8.83%
APRB	Long	Beneficial owner being conditionally entitled to be issued the Shares in which it is interested	214,681,040 *(Note (2))*	23.69%
Xinhua News Agency Asia-Pacific Regional Bureau	Long	Interest held by controlled corporation	214,681,040 *(Note (3))*	23.69%

Notes:

(1) These shares were owned by The Lo's Family (PTC) Limited in its capacity as the trustee of The Lo's Family Unit Trust, a unit trust of which all the units in issue were owned by Equity Trustee Limited as the trustee of The Lo's Family Trust. By virtue of its ownership of all the issued units in The Lo's Family Unit Trust, Equity Trustee Limited in its capacity as the trustee of The Lo's Family Trust was deemed to be interested in such shares owned by The Lo's Family (PTC) Limited in its capacity as the trustee of The Lo's Family Unit Trust.

Such interest was also disclosed as the interest of Dr. Lo Kou Hong and Ms. Ko Lok Ping, Maria Genoveffa in the above section headed "Directors' interests in the shares and underlying shares of the Company and its associated corporations".

(2) APRB's long position in these shares is by virtue of its entering into the Cooperation Agreement with the Company pursuant to which APRB will be entitled to be issued the consideration shares at completion, which took place on 24 May 2011.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY (continued)

(1) Interests in shares of the Company (continued)

(3) APRB is a company established by Xinhua News Agency Asia-Pacific Regional Bureau, which in turn is deemed to be interested in these shares.

* The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 March 2011.

(2) Interests in convertible notes of the Company

Name of substantial shareholder	Long/Short position	Capacity	Number of underlying shares in respect of the convertible notes issued	Percentage* of the underlying shares over the Company's issued share capital
Triple Kind Investments Limited	Long	Beneficial owner	83,870,968 *(Note)*	9.25%

Note: These convertible notes were held by Triple Kind Investments Limited, the entire issued share capital of which was owned to 50% by Dr. Lo Kou Hong and 50% by Ms. Ko Lok Ping, Maria Genoveffa.

Such interest was also disclosed as the interest of Dr. Lo Kou Ping and Ms. Ko Lok Ping, Maria Genoveffa in the above section headed "Directors' interests in the shares and underlying shares of the Company and its associated corporations"

* The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 31 March 2011.

Save as disclosed above, as at 31 March 2011, no person, other than the Company's directors whose interests are set out in the above section headed "Directors' interests in the shares and underlying shares of the Company and its associated corporations", had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

CONNECTED TRANSACTIONS

Details of the connected transactions are set out in note 35 to the financial statements.

REPORT OF THE DIRECTORS

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, as at the latest practicable date prior to the issue of this report, the Company has maintained a sufficient public float.

INDEPENDENT NON-EXECUTIVE DIRECTORS' REPORT ON DOWNWARD ADJUSTMENT ON THE PRINCIPAL AMOUNT OF THE CONVERTIBLE NOTES AS A RESULT OF THE SHORTFALL ON THE GUARANTEED PROFITS

Shortfall on the 2009 Guaranteed Profit and adjustment on the principal amount of the First Tranche Convertible Notes

Reference is made to (a) the announcement dated 3 November 2008; (b) the circular dated 24 November 2008 (the "Circular"); (c) the results of the EGM dated 10 December 2008; (d) the announcement dated 16 December 2008; (e) the announcement dated 10 July 2009; and (f) the announcement dated 5 August 2009, made by the Company in respect of the major and connected transaction regarding the acquisition of a waste treatment business in China. Capitalised terms used herein shall have the same meaning as those defined in the Circular unless defined otherwise.

It is noted that under the audited accounts of Shuyang ITAD prepared in accordance with PRC GAAP, Shuyang ITAD made a loss of RMB5,325,831 for the year ended 31 December 2009. Pursuant to the Acquisition Agreement (as supplemented by the Supplemental Agreement), the Vendor has warranted that the audited net profit after taxation (but excluding any non-recurring or exceptional items) of Shuyang ITAD for the year ended 31 December 2009 as prepared under the PRC GAAP will not be less than RMB10.0 million (equivalent to approximately HK$11.20 million), and in the event that such guaranteed profit cannot be reached, the principal amount of the First Tranche Convertible Notes shall, subject to a maximum of HK$32,500,000, be adjusted downwards in accordance with the terms of the Subscription Agreement and the Convertible Notes by deducting an amount calculated based on the formulas as set out in page 20 of the Circular. As Shuyang ITAD made a loss of RMB5,325,831 for the year ended 31 December 2009, the principal amount of the First Tranche Convertible Notes has been adjusted downwards by HK$32,500,000 to HK$0. As a result, no Conversion Shares will be converted from the principal amount of the First Tranche Convertible Notes during the first conversion period commencing from 1 July 2010 and ending on 31 December 2010 (for the First Tranche Convertible Notes).

Shortfall on the 2010 Guaranteed Profit and adjustment on the principal amount of the Second Tranche Convertible Notes

It is noted that the audited accounts of Shuyang ITAD prepared in accordance with PRC GAAP, Shuyang ITAD made a loss of RMB15,393,701 for the year ended 31 December 2010. Pursuant to the Acquisition Agreement (as supplemented by the Supplemental Agreement), the Vendor has warranted that the audited net profit after taxation (but excluding any non-recurring or exceptional items) of Shuyang ITAD for the year ended 31 December 2010 as prepared under the PRC GAAP will not be less than RMB30.0 million (equivalent to approximately HK$36.1 million), and in the event that such guaranteed profit cannot be reached, the principal amount of the Second Tranche Convertible Notes shall, subject to a maximum of HK$32,500,000, be adjusted downwards in accordance with the terms of the Subscription Agreement and the Convertible Notes by deducting an amount calculated based on the formulas as set out in page 20 of the Circular. During the year ended 31 March 2010, the Convertible Notes have been adjusted downwards by HK$65,000,000 due to the shortfall on targeted net profits based on the audited net loss of Shuyang ITAD for the year ended 31 December 2009 and the profit forecast for the year ended 31 December 2010 estimated by management. Accordingly, the equity component of the convertible notes of HK$65,000,000 was transferred to the merger reserve.

During the year ended 31 March 2011, no adjustment of Convertible Notes has been made due to the audited net loss of Shuyang ITAD for the year ended 31 December 2010.

REPORT OF THE DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS' REPORT ON DOWNWARD ADJUSTMENT ON THE PRINCIPAL AMOUNT OF THE CONVERTIBLE NOTES AS A RESULT OF THE SHORTFALL ON THE GUARANTEED PROFITS (continued)

Independent non-executive director's opinion

In the opinion of the independent non-executive directors of the Company, the downward adjustment on the principal amount of the Convertible Notes as a result of the shortfall on the guaranteed profits was made in the accordance with the terms of the Subscription Agreement and the Convertible Notes.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in note 38 to the financial statements.

CORPORATE GOVERNANCE

Details of the corporate governance practices of the Company are set out in the section headed "Corporate Governance Report" in this annual report.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 12 August 2011 to Tuesday, 16 August 2011 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the annual general meeting of the Company to be held on Tuesday, 16 August 2011, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 11 August 2011.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the Company's forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Lo Kou Hong
Co-chairman

Hong Kong
28 June 2011

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG
安 永

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To the shareholders of Xinhua News Media Holdings Limited
(Formerly known as Lo's Enviro-Pro Holdings Limited)
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Xinhua News Media Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 42 to 115, which comprise the consolidated and company statements of financial position as at 31 March 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made 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' judgement, 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 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.

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG
安 永

To the shareholders of Xinhua News Media Holdings Limited
(Formerly known as Lo's Enviro-Pro Holdings Limited)
(Incorporated in the Cayman Islands with limited liability)

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 2011, 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.

Ernst & Young
Certified Public Accountants

Hong Kong
28 June 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2011

	Notes	**2011** **HK$'000**	2010 HK$'000
REVENUE	5	**177,314**	176,926
Cost of sales of fertilisers		**(7,432)**	(4,325)
Other income and gains	5	**2,098**	995
Staff costs		**(151,090)**	(159,202)
Selling and distribution costs		**(336)**	–
Depreciation and amortisation		**(10,109)**	(3,717)
Impairment of property, plant and equipment	13	**(11,264)**	–
Impairment of intangible assets	15	**(12,681)**	–
Other operating expenses		**(49,724)**	(33,529)
Finance costs	7	**(39)**	(35)
Share of profit of an associate		**141**	–
LOSS BEFORE TAX	6	**(63,122)**	(22,887)
Income tax expense	10	**(283)**	–
LOSS FOR THE YEAR		**(63,405)**	(22,887)
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations and other comprehensive income for the year, net of tax		**5,212**	1,284
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(58,193)**	(21,603)
Loss attributable to:			
Owners of the parent	11	**(51,809)**	(17,976)
Non-controlling interests		**(11,596)**	(4,911)
		(63,405)	(22,887)
Total comprehensive loss attributable to:			
Owners of the parent		**(48,313)**	(17,111)
Non-controlling interests		**(9,880)**	(4,492)
		(58,193)	(21,603)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted			
– For loss for the year		**(6.43 cents)**	(2.36 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2011

	Notes	**2011** **HK$'000**	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**94,323**	106,579
Goodwill	14	**–**	–
Intangible assets	15	**14,217**	21,298
Investment in an associate	18	**145**	–
Deposits paid for acquisition of plant and equipment		**4,409**	350
Total non-current assets		**113,094**	128,227
CURRENT ASSETS			
Inventories	17	**111**	3,342
Due from an associate	18	**1,320**	1,263
Trade receivables	19	**23,869**	29,272
Prepayments, deposits and other receivables	19	**2,418**	2,469
Pledged time deposits	20	**14,029**	4,002
Cash and cash equivalents	20	**87,290**	35,810
Total current assets		**129,037**	76,158
CURRENT LIABILITIES			
Trade payables	21	**2,216**	1,050
Other payables and accrued liabilities	22	**27,253**	24,031
Finance lease payable	24	**43**	–
Tax payable		**283**	–
Total current liabilities		**29,795**	25,081
NET CURRENT ASSETS		**99,242**	51,077
TOTAL ASSETS LESS CURRENT LIABILITIES		**212,336**	179,304
NON-CURRENT LIABILITIES			
Loans from a director	23	**4,800**	–
Finance lease payable	24	**157**	–
Provision for long service payments	25	**592**	865
Deferred income	26	**7,140**	–
Total non-current liabilities		**12,689**	865
Net assets		**199,647**	178,439

continued/...

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2011

	Notes	**2011** **HK$'000**	2010 HK$'000
EQUITY			
Equity attributable to owners of the parent			
Issued capital	28	**9,063**	7,667
Reserves	30(a)	**171,542**	141,850
		180,605	149,517
Non-controlling interests		**19,042**	28,922
Total equity		**199,647**	178,439

LO KOU HONG
Director

LEUNG TAI TSAN, CHARLES
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2011

		Attributable to owners of the parent												
	Notes	**Issued share capital** *HK$'000* *(note 28)*	**Share premium account** *HK$'000* *(note 28)*	**Capital redemption reserve** *HK$'000*	**Equity component of convertible notes** *HK$'000* *(note 27)*	**Merger reserves** *HK$'000* *(note 30(a))*	**Share option reserve** *HK$'000* *(note 29)*	**Warrant reserve** *HK$'000*	**Contributed surplus** *HK$'000* *(note 30(a))*	**Accumulated losses** *HK$'000*	**Exchange fluctuation reserve** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total equity** *HK$'000*
At 1 April 2009		7,600	167,095	254	65,000	(17,937)	13,500	–	26,758	(105,442)	5,380*	162,208	33,414	195,622
Loss for the year		–	–	–	–	–	–	–	–	(17,976)	–	(17,976)	(4,911)	(22,887)
Other comprehensive income for the year:														
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	–	–	865	865	419	1,284
Total comprehensive loss for the year		–	–	–	–	–	–	–	–	(17,976)	865	(17,111)	(4,492)	(21,603)
Issue of shares upon exercises of share options		67	2,195	–	–	–	(411)	–	–	–	–	1,851	–	1,851
Equity-settled share option arrangements	29	–	–	–	–	–	2,569	–	–	–	–	2,569	–	2,569
Adjustment of convertible notes	27	–	–	–	(65,000)	65,000	–	–	–	–	–	–	–	–
At 31 March 2010		7,667	169,290*	254*	–*	47,063*	15,658*	–	26,758*	(123,418)*	6,245*	149,517	28,922	178,439
At 1 April 2010		7,667	169,290	254	–	47,063	15,658	–	26,758	(123,418)	6,245	149,517	28,922	178,439
Loss for the year		–	–	–	–	–	–	–	–	(51,809)	–	(51,809)	(11,596)	(63,405)
Other comprehensive income for the year:														
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	–	–	3,496	3,496	1,716	5,212
Total comprehensive loss for the year		–	–	–	–	–	–	–	–	(51,809)	3,496	(48,313)	(9,880)	(58,193)
Issue of warrants	28	–	–	–	–	–	–	2,571	–	–	–	2,571	–	2,571
Issue of shares	28	1,396	75,614	–	–	–	–	–	–	–	–	77,010	–	77,010
Transfer to share premium account upon exercise of warrants	28	–	1,635	–	–	–	–	(1,635)	–	–	–	–	–	–
Share issue expenses	28	–	(1,392)	–	–	–	–	–	–	–	–	(1,392)	–	(1,392)
Equity-settled share option arrangements	29	–	–	–	–	–	1,212	–	–	–	–	1,212	–	1,212
At 31 March 2011		9,063	245,147*	254*	–*	47,063*	16,870*	936*	26,758*	(175,227)*	9,741*	180,605	19,042	199,647

* These reserve accounts comprise the consolidated reserves of HK$171,542,000 (2010: HK$141,850,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(63,122)**	(22,887)
Adjustments for:			
Finance costs	7	**39**	35
Depreciation	6	**9,685**	5,295
Amortisation of intangible assets	6	**1,748**	789
Amortisation of deferred income	5	**(176)**	–
Bank interest income	5	**(98)**	(92)
Loss on property, plant and equipment written off	6	**–**	14
Loss/(gain) on disposal of items of property, plant and equipment	6	**315**	(312)
Equity-settled share option expense	6	**1,212**	2,569
Impairment of trade receivables	6	**113**	318
Impairment of intangible assets		**12,681**	–
Impairment of property, plant and equipment		**11,264**	–
Provision for slow-moving inventories	6	**3,518**	–
Write-off of inventories	6	**1,549**	–
Reversal of impairment of investment in an associate	5	**(4)**	–
Reversal of impairment of an amount due from an associate	5	**(5)**	(187)
Share of profit of an associate		**(141)**	–
Provision/(write-back of provision) for long service payments	6	**131**	(372)
		(21,291)	(14,830)
Decrease/(increase) in an amount due from an associate		**(52)**	151
Decrease in trade receivables		**5,302**	467
Decrease/(increase) in prepayments, deposits and other receivables		**382**	(7)
Increase in inventories		**(1,547)**	(3,323)
Increase/(decrease) in trade payables		**1,162**	(186)
Increase in other payables and accrued liabilities		**3,114**	2,449
Decrease in provision for long service payments		**(404)**	(311)
Cash used in operations		**(13,334)**	(15,590)
Interest paid		**(19)**	(35)
Interest element of a finance lease payable		**(20)**	–
Net cash flows used in operating activities		**(13,373)**	(15,625)

continued/...

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2011

	Notes	**2011** **HK$'000**	2010 HK$'000
Net cash flows used in operating activities		**(13,373)**	(15,625)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	13, 31	**(4,666)**	(9,096)
Deposits paid for acquisition of property, plant and equipment		**(4,324)**	–
Proceeds from disposal of items of property, plant and equipment		**28**	744
Addition to intangible assets	15	**(6,328)**	(22)
Interest received		**98**	92
Decrease/(increase) in pledged time deposits		**(10,027)**	46
Receipt of government grants		**7,176**	–
Net cash flows used in investing activities		**(18,043)**	(8,236)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	28	**77,010**	1,851
Proceeds from issue of warrants	28	**2,571**	–
Increase in loans from a director		**4,708**	–
Share issue expenses	28	**(1,392)**	–
Capital element of a finance lease payable		**(40)**	–
Net cash flows from financing activities		**82,857**	1,851
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**51,441**	(22,010)
Cash and cash equivalents at beginning of year		**35,810**	57,797
Effect of foreign rate changes, net		**39**	23
CASH AND CASH EQUIVALENTS AT END OF YEAR		**87,290**	35,810
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**20,273**	25,726
Non-pledged time deposits with original maturity of less than three months when acquired		**67,017**	10,084
	20	**87,290**	35,810

STATEMENT OF FINANCIAL POSITION

31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	16	**79,613**	136,915
CURRENT ASSETS			
Prepayments, deposits and other receivables		**9**	8
Cash and cash equivalents	20	**72,709**	10,448
Total current assets		**72,718**	10,456
CURRENT LIABILITIES			
Other payables and accrued liabilities	22	**4,378**	207
NET CURRENT ASSETS		**68,340**	10,249
Net assets		**147,953**	147,164
EQUITY			
Issued capital	28	**9,063**	7,667
Reserves	30(b)	**138,890**	139,497
Total equity		**147,953**	147,164

LO KOU HONG
Director

LEUNG TAI TSAN, CHARLES
Director

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Xinhua News Media Holdings Limited is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The principal place of business of the Company is located at 3rd Floor, Caltex House, No. 258 Hennessy Road, Wanchai, Hong Kong.

During the year, the Group was principally engaged in the provision of cleaning and related services, the provision of medical waste treatment service, the provision of waste treatment services.

In the opinion of the directors, the holding company and the ultimate holding company of the Group is The Lo's Family (PTC) Limited, which is incorporated in the British Virgin Islands.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand, except when otherwise indicated.

Basis of consolidation

Basis of consolidation from 1 April 2010

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

NOTES TO FINANCIAL STATEMENTS

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

Basis of consolidation prior to 1 April 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests (formerly known as minority interests), prior to 1 April 2010, were accounted for using the parent entity extension method, whereby the differences between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 April 2010 were not reallocated between non-controlling interest and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 April 2010 has not been restated.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*

NOTES TO FINANCIAL STATEMENTS

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower of Term Loan that Contains a Repayment on Demand Clause*

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised) and amendments to HKAS 7, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Investments in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

(b) *Improvements to HKFRSs 2009* issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendment most applicable to the Group are as follows:

- HKAS 7 *Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

NOTES TO FINANCIAL STATEMENTS

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*[1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters*[3]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[3]
HKFRS 9	*Financial Instruments*[5]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[4]
HKAS 24 (Revised)	*Related Party Disclosures*[2]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*[2]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[1]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 July 2010
2 Effective for annual periods beginning on or after 1 January 2011
3 Effective for annual periods beginning on or after 1 July 2011
4 Effective for annual periods beginning on or after 1 January 2012
5 Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that except for the adoption of HKAS 24 (Revised) and HKAS 27 (Revised), these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

NOTES TO FINANCIAL STATEMENTS

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Merger accounting for business combinations under common control

Business combinations under common control are accounted for in accordance with Accounting Guideline 5 *Merger Accounting for Common Control Combinations*. In applying merger accounting, financial statement items of the combining entities or businesses to which common control combination occurs are included in the consolidated financial statements as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined profit or loss includes the results of each of the combining entities or businesses from 1 April 2008 or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the combined financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period or, where the combining entities first came under common control on a later date, at that later date.

All significant intra-group transactions and balances have been eliminated on combination.

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

NOTES TO FINANCIAL STATEMENTS

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint ventures (continued)

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Associate

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit or loss and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investment in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associate is included as part of the Group's investment in an associate and is not individually tested for impairment.

The results of associate is included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investment in an associate is treated as a non-current asset and is stated at cost less any impairment losses.

NOTES TO FINANCIAL STATEMENTS

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

Business combinations from 1 April 2010

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

NOTES TO FINANCIAL STATEMENTS

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business combinations prior to 1 April 2010 but after 1 January 2005

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 April 2010:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

NOTES TO FINANCIAL STATEMENTS

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

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

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a member of the key management personnel of the Group or its parent;

(d) the party is a close member of the family of any individual referred to in (a) or (c) above;

(e) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (d) above; or

(f) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

NOTES TO FINANCIAL STATEMENTS

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4.8% – 5%
Leasehold improvements	Over the lease terms
Furniture and equipment	14.3% – 31.7%
Motor vehicles	14.3% – 25%
Tools and machinery	9.5% – $33^1/_3$%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a buildings and machinery under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

NOTES TO FINANCIAL STATEMENTS

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the profit or loss on the straight-line basis over the relevant lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as loans and receivables as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include an amount due from an associate, trade receivables, prepayments, deposits, and other receivables, pledged time deposits and cash and cash equivalents.

NOTES TO FINANCIAL STATEMENTS

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the profit or loss. The loss arising from impairment is recognised in the profit or loss in other operating expenses.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

NOTES TO FINANCIAL STATEMENTS

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the profit or loss.

NOTES TO FINANCIAL STATEMENTS

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as loans and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, a finance lease payable and loans from a director.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the profit or loss.

Convertible notes

The component of convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible note; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

NOTES TO FINANCIAL STATEMENTS

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the profit or loss.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

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

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

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

NOTES TO FINANCIAL STATEMENTS

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

NOTES TO FINANCIAL STATEMENTS

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the profit or loss by way of a reduced depreciation charge.

Where the Group receives a non-monetary grant, the asset and the grant are recorded at the fair value of the non-monetary asset and released to the profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Revenue from cost plus construction contracts is recognised on the percentage of completion method, by reference to the recoverable costs incurred during the period plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

NOTES TO FINANCIAL STATEMENTS

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for “Contracts for services” above;

(b) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for “Construction contracts” above;

(c) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(d) interest income, on an accrual basis using the effective interest rate method by applying the rate exactly that discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

NOTES TO FINANCIAL STATEMENTS

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

NOTES TO FINANCIAL STATEMENTS

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the end of each reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of each reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance (the "Employment Ordinance") in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A provision is recognised in respect of probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their services at the Group to the end of each reporting period.

A contingent liability is disclosed in respect of the full possible future long service payments to employees, as a number of current employees have achieved the required number of years of service to the Group, at the end of the reporting period, in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated in the circumstances specified. A full provision has not been recognised in respect of such possible payments as it is not considered probable that they will all result in a future outflow of resources from the Group.

Retirement benefit schemes

The Group operates a defined contribution staff retirement scheme (the "Scheme") for certain of its employees, the assets of which are held separately from those of the Group in an independently administered fund. Contributions are made based on a percentage of the eligible employees' basic salaries and are charged to the profit or loss as they become payable in accordance with the rules of the Scheme. The Group's employer contributions vest fully with the employees when contributed into the Scheme.

NOTES TO FINANCIAL STATEMENTS

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Retirement benefit schemes (continued)

The Group also operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Employees have the option to join either one of the above schemes.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the municipal local government. These subsidiaries are required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

NOTES TO FINANCIAL STATEMENTS

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period, and their income statement are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Profitability and percentage of completion of construction contracts

The Group determines the profitability of its construction contracts based on the net income that could be obtained after deducting its estimation of the total costs of the contracts. The Group also recognises its revenue from its contracts by the percentage of completion of the contracts which is measured by reference to the percentage of certified work performed to date to the estimated total contract sum of the relevant contracts.

Judgement is also made on the contingency costs that may arise from variation orders and claims as well as the recovery of such costs from their customers.

NOTES TO FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Classification between intangible assets and property, plant and equipment

The Group determines whether an asset is classified as an intangible asset under HK(IFRIC)-Int 12, and has developed criteria in making that judgement. The operator shall recognise an intangible asset to the extent that it receives a right to charge users of the public service. Therefore, the Group has to exercise judgement in determining whether an asset (i) is used to provide the public service and classified as an intangible asset under HK(IFRIC)-Int 12; or (ii) is held for use in the production or supply of goods or services, or for administrative purposes and classified as property, plant and equipment.

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 14 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 15 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Provision for impairment of trade and other receivables

The Group makes provision for impairment of trade and other receivables based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of judgement and estimates. Where the expectation on the recoverability of trade and other receivables is different from the original estimate, such difference will impact the carrying value of trade and other receivables and impairment expenses in the period in which such estimate has been changed.

Provision for long service payments

The Group provides for probable future long service payments expected to be made to employees under the Employment Ordinance. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their services at the Group to the end of the reporting period.

Net realisable value of inventories

The Group performs regular review of the carrying amounts of inventories with reference to aged analyses of the Group's inventories, projections of expected future saleability of goods and management experience and judgement. Based on this review, write-down of inventories will be made when the carrying amounts of inventories decline below their estimated net realisable value. Due to changes in technological, market or economic environment and customers' preference, actual saleability of goods may be different from estimation and profit or loss could be affected by differences in this estimation.

Adjustment on convertible notes

The Group assesses whether it is probable if there is any shortfall on the net profits warranted by ITAD Biotechnology Limited ("ITAD"). This requires management to estimate the future profit of the related subsidiary and determine the amount of the downward adjustment on the nominal value of the convertible notes accordingly.

NOTES TO FINANCIAL STATEMENTS

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) the cleaning and related services segment engages in the provision of cleaning and related services for office buildings, public areas and residential areas;

(b) the medical waste treatment segment engages in the provision of non-incineration medical waste handling services for hospitals; and

(c) the waste treatment segment engages in the provision of waste handling services and sale of the by-products produced during the waste handling process.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment loss, which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that interest income, finance costs, impairment losses from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude pledged deposits, cash and cash equivalents and unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude loans from a director, a finance lease payable, unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

There are no intersegment sales and transfers between the segments.

NOTES TO FINANCIAL STATEMENTS

4. OPERATING SEGMENT INFORMATION (continued)

	Cleaning and related services		Medical waste treatment		Waste treatment		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Service income from external customers	**166,615**	174,003	**10,374**	2,540	**325**	383	**177,314**	176,926
Other income and gains	**267**	692	**176**	–	**297**	24	**740**	716
Total	**166,882**	174,695	**10,550**	2,540	**622**	407	**178,054**	177,642
Segment results	**(2,386)**	2,518	**(2,048)**	(3,503)	**(20,724)**	(11,842)	**(25,158)**	(12,827)
Reconciliation:								
Interest income							**98**	92
Unallocated gains							**1,401**	187
Unallocated expenses							**(15,479)**	(10,304)
Impairment losses recognised in the profit or loss in respect of:								
Intangible assets							**(12,681)***	–
Property, plant and equipment							**(11,264)****	–
Finance costs							**(39)**	(35)
Loss before tax							**(63,122)**	(22,887)

* Impairment of intangible assets was related to medical waste treatment segment.

** Impairment of property, plant and equipment was related to waste treatment segment.

NOTES TO FINANCIAL STATEMENTS

4. OPERATING SEGMENT INFORMATION (continued)

	Cleaning and related services		Medical waste treatment		Waste treatment		Eliminations		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**325,843**	257,330	**18,095**	24,601	**107,094**	120,593	**(210,366)**	(199,402)	**240,666**	203,122
Reconciliation:										
Investment in an associate									**145**	–
Due from an associate									**1,320**	1,263
Total assets									**242,131**	204,385
Segment liabilities	**23,934**	17,553	**97,641**	92,572	**126,275**	115,223	**(210,366)**	(199,402)	**37,484**	25,946
Reconciliation:										
Finance lease payable	**–**	–	**–**	–	**–**	–	**–**	–	**200**	–
Loans from a director	**–**	–	**–**	–	**–**	–	**–**	–	**4,800**	–
									42,484	25,946
Other segment information:										
Capital expenditure	**1,184**	860	**7,313**	64	**2,737**	8,194	**–**	–	**11,234**	9,118
Depreciation and amortisation	**613**	895	**2,091**	1,049	**8,729**	4,140	**–**	–	**11,433**	6,084
Impairment losses recognised in the profit or loss in respect of:										
Intangible assets	**–**	–	**12,681**	–	**–**	–	**–**	–	**12,681**	–
Property, plant and equipment	**–**	–	**–**	–	**11,264**	–	**–**	–	**11,264**	–
Provision for slow-moving inventories	**–**	–	**–**	–	**3,518**	–	**–**	–	**3,518**	–
Write-off of inventories	**–**	–	**–**	–	**1,549**	–	**–**	–	**1,549**	
Share of profits of an associate	**141**	–	**–**	–	**–**	–	**–**	–	**141**	–
Impairment losses reversed in the profit or loss in respect of:										
Investment in an associate	**4**	–	**–**	–	**–**	–	**–**	–	**4**	–
Due from an associate	**5**	–	**–**	–	**–**	–	**–**	–	**5**	–

NOTES TO FINANCIAL STATEMENTS

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2011	2010
	HK$'000	*HK$'000*
Hong Kong	**166,615**	174,003
Mainland China	**10,699**	2,923
	177,314	176,926

(b) Non-current assets

	2011	2010
	HK$'000	*HK$'000*
Hong Kong	**1,881**	1,507
Mainland China	**111,213**	126,720
	113,094	128,227

The revenue and non-current asset information above are based on the location of the customers and that of the assets respectively.

Information about a major customer

Revenue of approximately HK$62,293,000 (2010: HK$76,360,000) was derived from sales by the cleaning and related services segment to a single customer.

NOTES TO FINANCIAL STATEMENTS

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of services rendered and goods sold. An analysis of the Group's revenue, other income and gains is as follows:

	2011	2010
	HK$'000	*HK$'000*
Revenue		
Cleaning and related service fee income	**166,615**	174,003
Medical waste treatment income	**4,046**	2,518
Construction revenue	**6,328**	22
Sale of organic fertilisers	**325**	383
	177,314	176,926
Other income and gains		
Bank interest income	**98**	92
Amortisation of deferred income* *(note 26)*	**176**	–
Management fee received	**160**	280
Reversal of impairment of an amount due from an associate	**5**	187
Reversal of impairment of an investment in an associate	**4**	–
Gain on disposal of items of property, plant and equipment	**–**	312
Gain on termination of a contract	**1,251**	–
Sundry income	**404**	124
	2,098	995

* Various government grants have been received for purchase of property, plant and equipment for medical waste treatment. There are no unfilled conditions or contingencies relating to these subsidies.

NOTES TO FINANCIAL STATEMENTS

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	2011 HK$'000	2010 HK$'000
Cost of inventories sold*		**7,432**	4,325
Cost of services rendered**		**151,934**	156,774
Auditors' remuneration		**1,100**	999
Minimum lease payments under operating leases in respect of land and buildings		**981**	766
Depreciation	13	**9,685**	5,295
Amortisation of intangible assets	15	**1,748**	789
Employee benefit expense (including directors' remuneration (note 8)):			
Wages, salaries and other benefits		**142,294**	150,288
Equity-settled share option expense		**1,212**	2,569
Retirement benefit scheme contributions		**7,011**	7,406
Forfeited contributions		**(26)**	(2,152)
Net retirement benefit scheme contributions		**6,985**	5,254
Provision/(write-back of provision) for long service payments, net	25	**131**	(372)
Provision for untaken paid leave		**468**	1,398
Provision for severance payment		**–**	65
		151,090	159,202
Loss on property, plant and equipment written off		**–**	14
Loss/(gain) on disposal of items of property, plant and equipment		**315**	(312)
Construction cost***		**6,328**	22
Provision for slow-moving inventories*		**3,518**	–
Write-off of inventories*		**1,549**	–
Impairment of trade receivables***	19	**113**	318

* The cost of inventories sold for the year ended 31 March 2011 included an amount of depreciation of HK$1,324,000 (2010: HK$2,367,000) and provision for slow-moving inventories of HK$3,518,000 and write-off of inventories of HK$1,549,000. Such amount has also been included in the respective expense items disclosed above.

** The cost of services rendered included employee benefit expense of HK$134,517,000 (2010: HK$141,398,000) incurred in the provision of services which has been included in the employee benefit expense above.

*** The construction cost and impairment of trade receivables are included in "Other operating expenses" in the consolidated statement of comprehensive income.

NOTES TO FINANCIAL STATEMENTS

7. FINANCE COSTS

	Group	
	2011	2010
	HK$'000	*HK$'000*
Interest on bank loan repayable within five years	**–**	35
Interest on loans from a director	**19**	–
Interest on a finance lease	**20**	–
	39	35

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Fees	**360**	360
Other emoluments:		
Salaries and allowances	**5,353**	5,423
Equity-settled share option expense	**860**	1,448
Retirement benefit scheme contributions	**442**	446
	6,655	7,317
	7,015	7,677

In the prior year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 29 to the financial statements. The fair value of such options, which has been recognised in the profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

NOTES TO FINANCIAL STATEMENTS

8. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors

	Fees *HK$'000*	Retirement benefit scheme contributions *HK$'000*	Total remuneration *HK$'000*
2011			
Mr. Chiu Wai Piu	**120**	**7**	**127**
Mr. Cheng Kai Tai, Allen	**120**	**7**	**127**
Mr. Wang Qi	**120**	**6**	**126**
	360	**20**	**380**

	Fees *HK$'000*	Retirement benefit scheme contributions *HK$'000*	Total remuneration *HK$'000*
2010			
Mr. Chiu Wai Piu	120	7	127
Mr. Cheng Kai Tai, Allen	120	7	127
Mr. Wang Qi	120	6	126
	360	20	380

There were no other emoluments payable to the independent non-executive directors during the year (2010: Nil).

NOTES TO FINANCIAL STATEMENTS

8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors and a non-executive director

	Salaries and allowances *HK$'000*	**Equity-settled share option expenses** *HK$'000*	**Retirement benefit scheme contributions** *HK$'000*	**Total remuneration** *HK$'000*
2011				
Executive directors:				
Dr. Lo Kou Hong	**2,357**	**271**	**148**	**2,776**
Ms. Ko Lok Ping, Maria Genoveffa	**1,071**	**271**	**99**	**1,441**
Mr. Leung Tai Tsan, Charles	**1,339**	**159**	**124**	**1,622**
Mr. Cheung Pui Keung, James	**536**	**159**	**49**	**744**
	5,303	**860**	**420**	**6,583**
Non-executive director:				
Mr. Bai Qingzhong	**50**	**–**	**2**	**52**
	5,353	**860**	**422**	**6,635**

	Salaries and allowances *HK$'000*	Equity-settled share option expenses *HK$'000*	Retirement benefit scheme contributions *HK$'000*	Total remuneration *HK$'000*
2010				
Executive directors:				
Dr. Lo Kou Hong	2,357	456	148	2,961
Ms. Ko Lok Ping, Maria Genoveffa	1,071	456	99	1,626
Mr. Leung Tai Tsan, Charles	1,339	268	124	1,731
Mr. Cheung Pui Keung, James	536	268	49	853
	5,303	1,448	420	7,171
Non-executive director:				
Mr. Bai Qingzhong	120	–	6	126
	5,423	1,448	426	7,297

NOTES TO FINANCIAL STATEMENTS

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2010: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2010: one) non-director, highest paid employee for the year are as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Salaries and allowances	**786**	840
Retirement benefit scheme contributions	**18**	46
	804	886

The number of non-director, highest paid employee whose remuneration fell within the following bands is as follows:

	Number of employees	
	2011	2010
Nil to HK$1,000,000	**1**	1

During the prior year, share options were granted to the non-director, highest paid employee in respect of her services to the Group, further details of which are included in the disclosures in note 29 to the financial statements. The fair value of such options, which has been recognised in the profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director, highest paid employee's remuneration disclosures.

10. INCOME TAX

	Group	
	2011	2010
	HK$'000	*HK$'000*
Tax charge for the year	**283**	–

Pursuant to the PRC Corporate Income Tax Law, 10% withholding tax rate is levied on interest income received from a Group's non-PRC resident entity.

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2010: Nil). No corporate income tax has been provided in Mainland China as the Group did not generate any assessable profits arising in Mainland China during the year (2010: Nil).

NOTES TO FINANCIAL STATEMENTS

10. INCOME TAX (continued)

A reconciliation of the tax expense applicable to loss before tax at the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, is as follows:

Group

	Hong Kong		Mainland China		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Loss before tax	**(18,432)**	(11,314)	**(44,690)**	(11,573)	**(63,122)**	(22,887)
Tax at the statutory tax rate	**(3,041)**	(1,867)	**(11,173)**	(2,893)	**(14,214)**	(4,760)
Income not subject to tax	**(333)**	(301)	**(78)**	(3)	**(411)**	(304)
Expenses not deductible for tax	**2,304**	1,664	**7,360**	182	**9,664**	1,846
Tax losses utilised from previous years	**–**	–	**(178)**	–	**(178)**	–
Tax losses not recognised	**1,070**	504	**4,069**	2,714	**5,139**	3,218
Effect of withholding tax on the interest income received from a Mainland subsidiary	**283**	–	**–**	–	**283**	–
Tax charge at the Group's effective rate	**283**	–	**–**	–	**283**	–

The Group has tax losses arising in Hong Kong of HK$24,519,000 (2010: HK$13,619,000) which are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses because it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

The Group has tax losses arising in Mainland China of HK$32,632,000 (2010: HK$14,361,000) that are available for five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses because it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

11. LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated loss attributable to owners of the parent for the year ended 31 March 2011 includes a loss of HK$78,612,000 (2010: HK$41,313,000) which has been dealt with in the financial statements of the Company (note 30(b)).

NOTES TO FINANCIAL STATEMENTS

12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Basic loss per share

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 806,138,274 (2010: 760,373,321) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 March 2011 and 2010 in respect of a dilution as the impact of the warrants, share options and convertible notes outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

The calculation of basic loss per share is based on:

	2011	2010
	HK$'000	*HK$'000*
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation	**(51,809)**	(17,976)

	Number of shares	
	2011	2010
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**806,138,274**	760,373,321

NOTES TO FINANCIAL STATEMENTS

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Leasehold improvements	Furniture and equipment	Motor vehicles	Tools and machinery	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 March 2011							
At 31 March 2010 and at 1 April 2010:							
Cost	46,238	1,017	6,299	4,048	64,917	–	122,519
Accumulated depreciation	(1,146)	(1,017)	(4,374)	(2,766)	(6,637)	–	(15,940)
Net carrying amount	45,092	–	1,925	1,282	58,280	–	106,579
At 1 April 2010, net of accumulated depreciation	45,092	–	1,925	1,282	58,280	–	106,579
Additions	512	–	848	1,536	933	1,077	4,906
Disposals	–	–	(343)	–	–	–	(343)
Depreciation provided during the year	(2,198)	–	(707)	(454)	(6,326)	–	(9,685)
Transfers	473	–	–	–	604	(1,077)	–
Impairment	(5,079)	–	–	–	(6,185)	–	(11,264)
Exchange realignment	1,793	–	22	59	2,256	–	4,130
At 31 March 2011, net of accumulated depreciation and impairment	40,593	–	1,745	2,423	49,562	–	94,323
At 31 March 2011:							
Cost	49,105	1,017	6,141	5,345	68,946	–	130,554
Accumulated depreciation and impairment	(8,512)	(1,017)	(4,396)	(2,922)	(19,384)	–	(36,231)
Net carrying amount	40,593	–	1,745	2,423	49,562	–	94,323

NOTES TO FINANCIAL STATEMENTS

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Tools and machinery HK$'000	Construction in progress HK$'000	Total HK$'000
31 March 2010							
At 1 April 2009:							
Cost	646	1,017	13,698	3,722	5,182	97,417	121,682
Accumulated depreciation	(63)	(975)	(11,952)	(2,110)	(4,288)	–	(19,388)
Net carrying amount	583	42	1,746	1,612	894	97,417	102,294
At 1 April 2009, net of accumulated depreciation	583	42	1,746	1,612	894	97,417	102,294
Additions	175	–	807	385	1,885	5,844	9,096
Disposals	–	–	(6)	–	(418)	–	(424)
Write-off	–	–	(22)	–	–	–	(22)
Depreciation provided during the year	(1,076)	(42)	(610)	(726)	(2,841)	–	(5,295)
Transfers	45,146	–	–	–	58,422	(103,568)	–
Exchange realignment	264	–	10	11	338	307	930
At 31 March 2010, net of accumulated depreciation	45,092	–	1,925	1,282	58,280	–	106,579
At 31 March 2010:							
Cost	46,238	1,017	6,299	4,048	64,917	–	122,519
Accumulated depreciation	(1,146)	(1,017)	(4,374)	(2,766)	(6,637)	–	(15,940)
Net carrying amount	45,092	–	1,925	1,282	58,280	–	106,579

At 31 March 2011 and 2010, the Group was in the process of obtaining the building ownership certificates of the Group's buildings. Notwithstanding this, the directors are of the opinion that the Group has obtained the legal rights to use these assets as at 31 March 2011 and 2010, and that the building ownership certificates can be obtained in the near future.

NOTES TO FINANCIAL STATEMENTS

14. GOODWILL

Group	*HK$'000*
At 31 March 2010, 1 April 2010 and 31 March 2011:	
Cost	39,185
Accumulated impairment	(39,185)
Net carrying amount	–

The amount of goodwill is stated at cost, less cumulative impairment of HK$39,185,000 which arose in the year ended 31 March 2008.

15. INTANGIBLE ASSETS

Group	*HK$'000*
Cost at 1 April 2010, net of accumulated amortisation and impairment	21,298
Additions	6,328
Amortisation during the year (note 6)	(1,748)
Impairment during the year	(12,681)
Exchange realignment	1,020
At 31 March 2011	14,217
At 31 March 2011:	
Cost	32,080
Accumulated amortisation and impairment	(17,863)
Net carrying amount	14,217
Cost at 1 April 2009, net of accumulated amortisation and impairment	21,856
Additions	22
Amortisation during the year (note 6)	(789)
Exchange realignment	209
At 31 March 2010	21,298
At 31 March 2010:	
Cost	24,635
Accumulated amortisation and impairment	(3,337)
Net carrying amount	21,298

Impairment testing of intangible assets

During the year ended 31 March 2011, certain items of intangible assets of a subsidiary of the Group, which was engaged in medical waste treatment operation, were impaired based on the projected results of the subsidiary discounted to its current value. An impairment loss of HK$12,681,000 (2010: Nil) was charged to the profit or loss.

NOTES TO FINANCIAL STATEMENTS

16. INVESTMENTS IN SUBSIDIARIES

	Company	
	2011	2010
	HK$'000	*HK$'000*
Unlisted shares/investments, at cost	**59,521**	59,521
Due from subsidiaries	**233,098**	221,101
	292,619	280,622
Impairment#	**(213,006)**	(143,707)
	79,613	136,915

An impairment was recognised for certain unlisted investments and amounts due from subsidiaries with a carrying amount of HK$289,765,000 (before deducting the impairment loss) (2010: HK$213,054,000) because of the deteriorating operating results of certain subsidiaries.

Movements in the impairment of investments in subsidiaries are as follows:

	2011	2010
	HK$'000	*HK$'000*
At beginning of the year	**143,707**	106,469
Impairment losses recognised	**69,299**	37,238
At end of the year	**213,006**	143,707

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of the amounts due from subsidiaries approximate to their fair values.

NOTES TO FINANCIAL STATEMENTS

16. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Sinopoint Corporation	British Virgin Islands/ Hong Kong	US$100 Ordinary	100	–	Investment Holding
Lo's Cleaning Services Limited	Hong Kong	HK$100 Ordinary HK$26,768,000 Non-voting deferred	–	100	Provision of cleaning and related services
Lo's Airport Cleaning Services Limited	Hong Kong	HK$10,000 Ordinary	–	100	Dormant
Yangi Construction & Engineering Limited	Hong Kong	HK$100 Ordinary	–	100	Dormant
Honest Grand International Limited	British Virgin Islands/ Hong Kong	US$100 Ordinary	–	100	Investment holding
Victory Joy International Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary	–	100	Investment holding
Seasun Group Limited	British Virgin Islands/ Hong Kong	US$3,000 Ordinary	–	65	Investment holding
Lo's Tsinghua Daring Medical Waste Treatment (China) Holdings Limited	Hong Kong	HK$1 Ordinary	–	65	Investment holding
Oriental Emperor Holdings Limited	British Virgin Islands/ Hong Kong	US$100 Ordinary	–	55	Investment holding
Lo's Tsinghua Daring Environmental Technology Holdings Limited	Hong Kong	HK$1 Ordinary	–	55	Investment holding
Siping Lo's Tsinghua Daring Environmental Technology Limited*^	People's Republic of China ("PRC")/ Mainland China	HK$10,000,000	–	55	Provision of medical waste treatment services

NOTES TO FINANCIAL STATEMENTS

16. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Suihua Lo's Tsinghua Daring Environmental Technology Limited*^	PRC/Mainland China	HK$10,000,000	–	55	Provision of medical waste treatment services
Heihe Lo's Tsinghua Daring Limited*^	PRC/Mainland China	HK$10,000,000	–	55	Dormant
Marce International Limited	British Virgin Islands/ Hong Kong	US$100 Ordinary	–	100	Investment holding
Peixin Group Ltd. ("Peixin")	British Virgin Islands/ Hong Kong	–	–	70	Investment holding
Shuyang ITAD Environmental Technology Limited*^ ("Shuyang ITAD")	PRC/Mainland China	RMB62,500,000	–	70	Provision of waste treatment services
Xinhua News Media Limited	British Virgin Islands	US$1	100	–	Advertisement and information broadcasting on television screens

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

^ Registered as wholly-foreign-owned enterprises under PRC law.

17. INVENTORIES

	Group 2011 HK$'000	Group 2010 HK$'000
Raw materials	–	219
Finished goods	111	3,123
	111	3,342

NOTES TO FINANCIAL STATEMENTS

18. INVESTMENT IN AN ASSOCIATE

	Group	
	2011	2010
	HK$'000	*HK$'000*
Unlisted shares at cost	**4**	–
Share of net assets	**141**	–
	145	–
Due from an associate	**1,320**	1,268
Impairment#	**–**	(5)
	1,320	1,263

During the year ended 31 March 2010, an impairment was recognised for an amount due from an associate with a carrying amount of HK$1,268,000 (before deducting the impairment) because of the deteriorating operating results of the associate.

Movements in the impairment of investment in an associate are as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
At beginning of the year	**5**	192
Reversal of impairment during the year	**(5)**	(187)
At end of the year	**–**	5

NOTES TO FINANCIAL STATEMENTS

18. INVESTMENT IN AN ASSOCIATE (continued)

The amount due from an associate is unsecured, bears interest at a rate of 5% per annum and is repayable on or before 14 November 2011. The carrying amount of the amount due from an associate approximates to its fair value.

Particulars of the associate are as follows:

Name	Particulars of issued shares held	Place of incorporation	Percentage of ownership interest attributable to the Group	Principal activity
Faber China Limited	Ordinary shares of HK$1 each	Hong Kong	40	Trading of professional cleaning equipment/products and marble-care products

The associate is not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

In prior year, the Group has discontinued the recognition of its share of loss of the associate because the share of loss of the associate exceeded the Group's interest in the associate. The Group's unrecognised share of profit of this associate for the year ended 31 March 2010 was HK$71,000 and cumulatively unrecognised share of loss was HK$2,000.

The following table illustrates the summarised financial information of the Group's associate extracted from its financial statements:

	2011	2010
	HK$'000	*HK$'000*
Assets	**2,345**	2,732
Liabilities	**1,982**	2,737
Revenue	**1,934**	1,797
Profit	**358**	178

NOTES TO FINANCIAL STATEMENTS

19. TRADE RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**24,304**	29,592
Impairment	**(435)**	(320)
	23,869	29,272

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of 30 days, extending up to 90 days for customers with a long-term relationship. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by management. Trade receivables are non-interest-bearing.

The Group's other receivables are non-interest-bearing and their carrying amounts approximate to their fair values. Other receivables were neither past due nor impaired at the end of the reporting period.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Within 30 days	**13,700**	13,808
31 to 60 days	**5,992**	8,067
61 to 90 days	**3,798**	7,154
91 to 120 days	**133**	132
Over 120 days	**246**	111
	23,869	29,272

NOTES TO FINANCIAL STATEMENTS

19. TRADE RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Movements in the provision for impairment of trade receivables are as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
At beginning of the year	**320**	–
Impairment losses recognised *(note 6)*	**113**	318
Exchange realignment	**2**	2
At end of the year	**435**	320

The above provision for impairment of trade receivables is individually impaired. The individually impaired trade receivables relate to customers that were in default or delinquency payments. The Group does not hold any collateral or other credit enhancements over these balances.

An aged analysis of the trade receivables that are not considered to be impaired is as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Neither past due nor impaired	**13,700**	13,808
Less than 1 month past due	**5,992**	8,067
1 to 3 months past due	**3,931**	7,286
Over 3 months past due	**246**	111
	23,869	29,272

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

NOTES TO FINANCIAL STATEMENTS

19. TRADE RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

20. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	Group		**Company**	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**20,273**	25,726	**5,712**	10,394
Time deposits	**81,046**	14,086	**66,997**	54
	101,319	39,812	**72,709**	10,448
Less: Pledged short-term time deposits for banking facilities	**(14,029)**	(4,002)	**–**	–
Cash and cash equivalents	**87,290**	35,810	**72,709**	10,448

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$2,700,194 (2010: HK$1,162,670). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

NOTES TO FINANCIAL STATEMENTS

20. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS (continued)

At the end of the reporting period, the Group's banking facilities were secured by the following:

(i) the pledge of certain of the Group's time deposits amounting to HK$14,029,000 (2010: HK$4,002,000); and

(ii) a corporate guarantee to the extent of HK$18 million (2010: HK$18 million) provided by the Company.

21. TRADE PAYABLES

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

	Group	
	2011	2010
	HK$'000	*HK$'000*
Within 30 days	**2,014**	1,049
31 to 60 days	**11**	1
61 to 90 days	**191**	–
	2,216	1,050

The trade payables are non-interest-bearing and are normally settled on 30-day terms.

22. OTHER PAYABLES AND ACCRUED LIABILITIES

Other payables of the Group and the Company are non-interest-bearing and have an average payment term of one month.

23. LOANS FROM A DIRECTOR

The loans of HK$3,600,000 (2010: Nil) and HK$1,200,000 (2010: Nil) are unsecured, interest-bearing at 1% per annum and repayable on 14 October 2015 and 30 November 2015, respectively.

NOTES TO FINANCIAL STATEMENTS

24. FINANCE LEASE PAYABLE

The Group leases certain of its plant and machinery for its business. These leases are classified as finance leases and have remaining lease terms for four years.

At 31 March 2011, the total future minimum lease payments under finance leases and their present values were as follows:

Group	**Minimum lease payments 2011** *HK$'000*	Minimum lease payments 2010 *HK$'000*	**Present value of minimum lease payments 2011** *HK$'000*	Present value of minimum lease payments 2010 *HK$'000*
Amounts payable:				
Within one year	**60**	–	**43**	–
In the second year	**60**	–	**48**	–
In the third to fifth years, inclusive	**120**	–	**109**	–
Total minimum finance lease payments	**240**	–	**200**	–
Future finance charges	**(40)**	–		
Total net finance lease payables	**200**	–		
Portion classified as current liabilities	**(43)**	–		
Non-current portion	**157**	–		

NOTES TO FINANCIAL STATEMENTS

25. PROVISION FOR LONG SERVICE PAYMENTS

	Group	
	2011	2010
	HK$'000	*HK$'000*
At beginning of the year	**865**	1,548
Provision/(write-back of provision) for long service payments, net *(note 6)*	**131**	(372)
Amounts utilised during the year	**(404)**	(311)
At end of the year	**592**	865

The Group provides for probable future long service payments expected to be made to employees under the Employment Ordinance, as further explained under the heading "Employee benefits" in note 2.4 to the financial statements. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their services to the Group at the end of the reporting period.

26. DEFERRED INCOME

	Group
	HK$'000
Cost at 1 April 2010, net of accumulated amortisation	–
Additions	7,179
Amortisation during the year *(note 5)*	(176)
Exchange realignment	137
At 31 March 2011	7,140
At 31 March 2011:	
Cost	7,320
Accumulated amortisation	(180)
Net carrying amount	7,140

The deferred income represents unamortised government grants received from PRC government for the purchase of property, plant and equipment for medical waste treatment during the year. There are no unfilled conditions or contingencies relating to these subsidies.

NOTES TO FINANCIAL STATEMENTS

27. CONVERTIBLE NOTES

On 16 December 2008, the Company issued zero-coupon convertible notes with a nominal value of HK$65 million to ITAD, with a maturity date of 1 January 2012 (the "Maturity Date"), as part of the total consideration for the acquisition of 70% equity interest in Peixin. The principal amount of the convertible notes shall be divided into two tranches of HK$32.5 million each, which shall be convertible into ordinary shares at the conversion price of HK$0.31 per ordinary share upon the exercise of the conversion rights during the first conversion period from 1 July 2010 to 31 December 2010 and the second conversion period from 1 July 2011 to 31 December 2011. ITAD, a former owner of Peixin, has warranted certain targeted net profits of Shuyang ITAD, the principal subsidiary of Peixin, and the nominal value of the convertible notes shall be adjusted downward if there is any shortfall on targeted profits. The outstanding principal of the convertible notes that has not been converted into shares shall be redeemed in its entirety by the Company at a redemption price of HK$1 on the Maturity Date. There was no movement in the number of these convertible notes during the year.

During the year ended 31 March 2010, the convertible notes have been adjusted downwards by HK$65,000,000 due to the shortfall on targeted net profits based on the audited net loss of Shuyang ITAD for the year ended 31 December 2009 and the profit forecast for the year ending 31 December 2010 estimated by management. Accordingly, the equity component of the convertible notes of HK$65,000,000 was transferred to the merger reserve.

During the year ended 31 March 2011, no adjustment of convertible notes has been made due to the audited net loss of Shuyang ITAD for the year ended 31 December 2010.

In the opinion of the independent non-executive directors, the downward adjustment on the principal amount of the convertible notes was a result of the actual shortfall on the guaranteed profits.

28. SHARE CAPITAL

	Shares	
	2011	2010
	HK$'000	*HK$'000*
Authorised:		
2,000,000,000 (2010: 2,000,000,000) ordinary shares of HK$0.01 each	**20,000**	20,000
Issued and fully paid:		
906,318,000 (2010: 766,718,000) ordinary shares of HK$0.01 each	**9,063**	7,667

NOTES TO FINANCIAL STATEMENTS

28. SHARE CAPITAL (continued)

A summary of the transactions during the year with reference to the below movements in the Company's issued ordinary share capital is as follows:

	Notes	Number of shares in issue	Issued capital	Share premium account	Share option reserve	Total
			HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2009		759,986,000	7,600	167,095	13,500	188,195
Equity-settled share option arrangements		–	–	–	2,569	2,569
Share options exercised		6,732,000	67	2,195	(411)	1,851
At 31 March 2010 and 1 April 2010		766,718,000	7,667	169,290	15,658	192,615
Placement of new shares	(a)	30,600,000	306	21,114	–	21,420
Warrants exercised	(b)	109,000,000	1,090	54,500	–	55,590
		139,600,000	1,396	75,614	–	77,010
Share issue expenses		–	–	(1,392)	–	(1,392)
Transfer from warrant reserve		–	–	1,635	–	1,635
Equity-settled share option arrangements		–	–	–	1,212	1,212
At 31 March 2011		906,318,000	9,063	245,147	16,870	271,080

Notes:

(a) On 7 December 2010, the Company and the placing agent entered into a first share placing agreement pursuant to which the Company has agreed to place a maximum of 76,500,000 shares to not less than six independent investors at the share placing price of HK$0.70 per share. On 18 March 2011, a total of 30,600,000 shares of HK$0.01 each were issued for cash at a subscription price of HK$0.70 per share pursuant to the first placing agreement for a total cash consideration, before related expenses, of HK$21,420,000.

(b) During the year, 109,000,000 shares of HK$0.01 each were issued for cash at a subscription price of HK$0.51 per share pursuant to the exercise of the Company's warrants, for a total cash consideration, before related expenses, of HK$55,590,000.

NOTES TO FINANCIAL STATEMENTS

28. SHARE CAPITAL (continued)

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 29 to the financial statements.

Warrants

On 26 August 2010, the Company and the placing agent entered into the first warrant placing agreement, pursuant to which the Company has conditionally agreed to place, through the placing agent on a best efforts basis, a maximum of 151,000,000 unlisted warrants at the warrant issue price of HK$0.015 per warrant. Each warrant entitles the holder thereof to subscribe for one ordinary share of HK$0.01 each at a subscription price of HK$0.51 per share, payable in cash and subject to adjustment, from the date of issue of the warrants to the expiry, which is 18 months from the issue of the warrants.

During the year, 151,000,000 warrants of HK$0.015 each were issued pursuant to the first warrant placing agreement for a total cash consideration, before related expenses, of HK$2,265,000.

On 7 December 2010, the Company and the placing agent entered into the second warrant placing agreement, pursuant to which the Company has conditionally agreed to place, through the placing agent on a best efforts basis, a maximum of 76,500,000 unlisted warrants at the warrant issue price of HK$0.01 per warrant. Each warrant entitles the holder thereof to subscribe for one ordinary share of HK$0.01 each at a subscription price of HK$0.70 per share, payable in cash and subject to adjustment, from the date of issue of the warrants to the expiry, which is 18 months from the issue of the warrants.

During the year, 30,600,000 warrants of HK$0.01 each were issued pursuant to the second warrant placing agreement dated 7 December 2010 for a total cash consideration, before related expenses, of HK$306,000.

During the year, 109,000,000 shares of HK$0.01 each were issued for cash at a subscription price of HK$0.51 per share pursuant to the exercise of the Company's warrants for a total cash consideration, before related expenses, of HK$55,590,000. At the end of the reporting period, the Company had 72,600,000 of outstanding warrants.

NOTES TO FINANCIAL STATEMENTS

29. SHARE OPTION SCHEME

The Company operates a share option scheme (the “Share Option Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Share Option Scheme are the employees of the Group (including any executive director, non-executive director, independent non-executive director) or any consultant of the Group. The Share Option Scheme was adopted by the Company’s shareholders on 24 April 2003 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares which may be issued upon exercise of all options granted/to be granted under the Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at the date of listing of the Company’s shares on the Stock Exchange, unless approval for refreshing the 10% limit from the Company’s shareholders has been obtained. Unless approved by the Company’s shareholders, the maximum number of shares issuable upon exercise of share options granted to each eligible participant in the Share Option Scheme in any 12-month period is limited to 1% of the shares of the Company in issue. Any further grant of share options in excess of this limit in the 12-month period up to and including the date of such further grant is subject to shareholders’ approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to approval in advance by the independent non-executive directors of the Company (excluding independent non-executive director who is the grantee of the options). In addition, any grant of share options to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, which would result in the shares issued and to be issued upon exercise of all options already granted and to be granted to such person in the 12-month period up to and including the date of the grant in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company’s shares at the date of grant) in excess of HK$5 million, is subject to shareholders’ approval in advance in a general meeting.

The offer of a grant of share options may be accepted by a participant within 30 days from the date upon which the offer letter is delivered to that participant, upon payment of a nominal consideration of HK$10 in total by the participant. The exercise period of the share options granted is determined by the directors, save that such period shall not be more than 10 years from the date of the offer of the share options, subject to the provisions for early termination as set out in the Share Option Scheme. Unless otherwise determined by the directors of the Company at their absolute discretion, there is no requirement of a minimum period for which an option must be held before an option can be exercised. In addition, there is no performance target which must be achieved before any of the options can be exercised.

The exercise price of the share options is determined by the directors, but must not be less than the highest of (i) the closing price of a share of the Company as stated in the Stock Exchange’s daily quotations sheet on the date of the offer of the share options; (ii) the average closing price of a share of the Company as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the date of the offer, and (iii) the nominal value of a share of the Company.

Share options do not confer rights on the holders to dividends or to vote at shareholders’ meetings.

NOTES TO FINANCIAL STATEMENTS

29. SHARE OPTION SCHEME (continued)

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

	2011		2010	
	Weighted average exercise price per share	**Number of options**	Weighted average exercise price per share	Number of options
	HK$	***'000***	*HK$*	*'000*
At beginning of the year	**0.85**	**38,700**	0.77	45,632
Forfeited during the year	**1.41**	**(2,200)**	1.41	(200)
Exercised during the year	**0.275**	**–**	0.275	(6,732)
At end of the year	**0.82**	**36,500**	0.85	38,700

The exercise prices and exercise periods of the share options outstanding at the end of the reporting period are as follows:

2011

Number of options	**Exercise price* per share**	**Exercise period**
'000	***HK$***	
3,500	**1.41**	**22/2/08 – 21/2/12**
3,500	**1.41**	**22/2/09 – 21/2/12**
3,500	**1.41**	**22/2/10 – 21/2/12**
3,500	**1.41**	**22/2/11 – 21/2/12**
3,500	**1.41**	**22/11/11 – 21/2/12**
19,000	**0.275**	**22/4/05 – 21/4/15**
36,500		

2010

Number of options	Exercise price* per share	Exercise period
'000	*HK$*	
3,940	1.41	22/2/08 – 21/2/12
3,940	1.41	22/2/09 – 21/2/12
3,940	1.41	22/2/10 – 21/2/12
3,940	1.41	22/2/11 – 21/2/12
3,940	1.41	22/11/11 – 21/2/12
19,000	0.275	22/4/05 – 21/4/15
38,700		

* The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

NOTES TO FINANCIAL STATEMENTS

29. SHARE OPTION SCHEME (continued)

The Group recognised a share option expense of HK$1,212,000 (2010: HK$2,569,000) during the year ended 31 March 2011 for the share options granted in prior years and amortised during the year.

At the end of the reporting period, the Company had 36,500,000 share options outstanding under the Share Option Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issuance of 36,500,000 additional ordinary shares of the Company and additional share capital of HK$365,000 and share premium of HK$29,535,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 36,500,000 share options outstanding under the Share Option Scheme, which represented approximately 3.13% of the Company's shares in issue as at that date.

30. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

The Group's contributed surplus represents the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation prior to the listing of the Company's shares, over the nominal value of the Company's shares issued in exchange therefor.

The Group's merger reserve arose from the business combination under common control in respect of the acquisition of Peixin in the year ended 31 March 2009.

NOTES TO FINANCIAL STATEMENTS

30. RESERVES (continued)

(b) Company

	Share premium account HK$'000	Capital redemption reserve HK$'000	Equity component of convertible notes HK$'000	Share option reserve HK$'000	Warrant reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2009	167,095	254	65,000	13,500	–	59,511	(128,903)	176,457
Total comprehensive loss for the year	–	–	–	–	–	–	(41,313)	(41,313)
Equity-settled share option arrangements	–	–	–	2,569	–	–	–	2,569
Share options exercised	2,195	–	–	(411)	–	–	–	1,784
At 31 March 2010 and 1 April 2010	169,290	254	65,000	15,658	–	59,511	(170,216)	139,497
Issue of shares *(note 28)*	75,614	–	–	–	–	–	–	75,614
Issue of warrants *(note 28)*	–	–	–	–	2,571	–	–	2,571
Total comprehensive loss for the year	–	–	–	–	–	–	(78,612)	(78,612)
Transfer to share premium account upon exercise of warrants *(note 28)*	1,635	–	–	–	(1,635)	–	–	–
Share issue expenses *(note 28)*	(1,392)	–	–	–	–	–	–	(1,392)
Equity-settled share option arrangements	–	–	–	1,212	–	–	–	1,212
At 31 March 2011	245,147	254	65,000	16,870	936	59,511	(248,828)	138,890

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group reorganisation prior to the listing of the Company's shares, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Law (2002 Revision) of the Cayman Islands, a company may make distributions to its members out of the contributed surplus in certain circumstances.

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to accumulated losses should the related options expire or be forfeited.

NOTES TO FINANCIAL STATEMENTS

31. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transaction

During the year, 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 HK$240,000 (2010: Nil).

32. CONTINGENT LIABILITIES

At the end of the reporting period, the Group had contingent liabilities as follows:

(a) The Group has executed performance guarantees to the extent of an aggregate amount of HK$1,157,000 (2010: HK$1,468,000) in respect of certain services provided to various customers by the Group.

(b) The Group had a contingent liability in respect of possible future long service payments to employees under the Employment Ordinance, with a maximum possible amount of approximately HK$1,016,000 as at 31 March 2011 (2010: HK$1,532,000), as further explained under the heading “Employee benefits” in note 2.4 to the financial statements. The contingent liability has arisen because, at the end of the reporting period, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A provision of HK$592,000 (2010: HK$865,000) in respect of such payments has been made in the consolidated statement of financial position as at 31 March 2011.

(c) During the ordinary course of its business, the Group may from time to time be involved in litigation concerning personal injuries sustained by its employees or third party claimants. The Group maintains insurance cover and, in the opinion of the directors, based on current evidence, any such existing claims should be adequately covered by the insurance as at 31 March 2010 and 2011.

NOTES TO FINANCIAL STATEMENTS

33. OPERATING LEASE ARRANGEMENTS

The Group leases its office properties and staff quarters under operating lease arrangements, which are negotiated for terms ranging from one to five years.

At 31 March 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Within one year	**675**	812
In the second to fifth years, inclusive	**505**	1,180
	1,180	1,992

34. COMMITMENTS

In addition to the operating lease commitments detailed in note 33 above, the Group had the following capital expenditure commitments at the end of the reporting period:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Property, plant and equipment	**2,799**	292,983
Free right	**100,000**	–
	102,799	292,983

NOTES TO FINANCIAL STATEMENTS

35. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following material transactions with related companies, of which certain directors of the Company are also directors, during the year. These related companies are owned by a discretionary trust of which the beneficiaries include the family members of Dr. Lo Kou Hong.

		2011	2010
	Notes	***HK$'000***	*HK$'000*
Management fee income from a related company	(i)	**60**	180
Interest income from an associate	(ii)	**52**	58
Interest expenses on loans from a director	(iii)	**19**	–

Notes:

(i) The management fee income from the provision of accounting and administrative services and the sharing of office space and facilities with the Group was received in a lump sum annually with reference to the actual costs incurred.

(ii) The interest received from an associate was charged at an interest rate of 5% per annum on the outstanding amount due from an associate.

(iii) The loans from a director are charged at an interest rate of 1% per annum on the outstanding loans due from a director.

(b) Other transactions with related parties:

During the year ended 31 March 2010, the Group borrowed RMB2,000,000 (equivalent to HK$2,294,000) from a bank which was secured by an independent third party (the "Guarantor"). The Group placed a counter guarantee with the Guarantor which was partially secured by personal guarantee provided by certain directors of the Group to the extent of HK$2,294,000. The loan was repaid in October 2009 and the guarantee was released accordingly.

NOTES TO FINANCIAL STATEMENTS

35. RELATED PARTY TRANSACTIONS (continued)

(c) Outstanding balances with related parties:

Details of the Group's amount due from an associate and loans from a director as at the end of the reporting period are disclosed in notes 18 and 23 to the financial statements respectively.

(d) Compensation of key management personnel of the Group:

	2011	2010
	HK$'000	HK$'000
Short-term employee benefits	**5,303**	5,303
Post-employment benefits	**420**	420
Equity-settled share option expense	**860**	1,448
Total compensation paid to key management personnel	**6,583**	7,171

Further details of directors' emoluments are included in note 8 to the financial statements.

The related party transactions in respect of items (a)(i), (a)(ii) and a(iii) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	Group	
	2011	2010
	Loans and receivables	Loans and receivables
	HK$'000	*HK$'000*
Due from an associate	**1,320**	1,263
Trade receivables	**23,869**	29,272
Financial assets included in prepayments, deposits and other receivables	**967**	481
Pledged time deposits	**14,029**	4,002
Cash and cash equivalents	**87,290**	35,810

NOTES TO FINANCIAL STATEMENTS

36. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

	Group	
	2011	2010
	Financial liabilities at amortised cost	Financial liabilities at amortised cost
	HK$'000	*HK$'000*
Trade payables	**2,216**	1,050
Financial liabilities included in other payables and accrued liabilities	**24,111**	20,685
Finance lease payable	**200**	–
Loans from a director	**4,800**	–

Financial assets

	Company	
	2011	2010
	Loans and receivables	Loans and receivables
	HK$'000	*HK$'000*
Due from subsidiaries	**76,861**	132,776
Cash and cash equivalents	**72,709**	10,448

Financial liabilities

	Company	
	2011	2010
	Financial liabilities at amortised cost	Financial liabilities at amortised cost
	HK$'000	*HK$'000*
Financial liabilities included in other payables and accrued liabilities	**4,378**	207

NOTES TO FINANCIAL STATEMENTS

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing such risks and they are summarised below.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group's interest-bearing financial instruments are mainly cash and short-term deposits.

As at the end of the reporting period, the Group's exposure to interest rate risk is considered to be relatively small as the Group's financial instruments predominately were non-interest-bearing or carried at minimal interest rates.

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group has no specific policy to deal with foreign currency risk. However, management monitors the exposure and will consider hedging the foreign currency risk exposure for significant cash flow risks should the need arise. As at the end of the reporting period, the Group's exposure to foreign currency risk is minimal as all transactions are denominated in the operating units' functional currency.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, pledged time deposits, an amount due from an associate and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer. At the end of the reporting period, the Group has certain concentrations of credit risk as 41% and 69% of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively, within the cleaning and related services segment.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in note 19 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's policy is to regularly monitor its current and expected liquidity levels to ensure that it maintains sufficient reserves of cash for its daily operation purposes.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

			2011		
	On demand	**Less than 3 months**	**3 to less than 12 months**	**1 to 5 years**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Trade payables	**–**	**2,216**	**–**	**–**	**2,216**
Financial liabilities included in accrued liabilities and other payables	**12,214**	**11,897**	**–**	**–**	**24,111**
Loans from a director	**–**	**12**	**36**	**4,971**	**5,019**
Finance lease payable	**–**	**15**	**50**	**175**	**240**
	12,214	**14,140**	**86**	**5,146**	**31,586**

		2010	
	On demand	Less than 3 months	Total
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	–	1,050	1,050
Financial liabilities included in other payables and accrued liabilities	8,782	11,903	20,685
	8,782	12,953	21,735

NOTES TO FINANCIAL STATEMENTS

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Company

	2011
	On demand
	HK$'000
Financial liabilities included in other payables and accrued liabilities	**4,378**

	2010
	On demand
	HK$'000
Financial liabilities included in other payables and accrued liabilities	207

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2011 and 2010.

The Group monitors capital using a current ratio, which is current assets divided by the current liabilities. The Group's policy is to maintain net positive current assets and a current ratio greater than one as shown as follows:

Group

	2011	2010
	HK$'000	*HK$'000*
Current assets	**129,037**	76,158
Current liabilities	**(29,795)**	(25,081)
Net current assets	**99,242**	51,077
Current ratio	**4.3**	3.0

NOTES TO FINANCIAL STATEMENTS

38. EVENTS AFTER THE REPORTING PERIOD

(a) On 22 November 2010, the Company entered into the development of business of advertisement and information broadcasting on television screen business ("TV Screen Broadcast Business") cooperation agreement with Xinhua News Agency Asia-Pacific Regional Bureau Limited ("Asia-Pacific Regional Bureau Ltd") for the acquisition of a right granted by Asia-Pacific Regional Bureau to the Company for a term of 10 years (which is extendable subject to future negotiation) commencing from the date of completion (i.e., 24 May 2011) to broadcast the media information to public entities or individuals in the development region ("Free Right") which constitutes a very substantial acquisition transaction ("Acquisition") under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The consideration of the Acquisition involves the following two sessions:

(i) the Company makes available a sum of no less than HK$50,000,000 within two weeks after the Stock Exchange Approval and the shareholders' approval having been obtained by the Company and another sum of no less than HK$50,000,000 shall be made available within two weeks after the first mentioned sum of no less than HK$50,000,000 is made available.

(ii) allotment and issue of 214,681,040 new shares with a nominal value of HK$0.01 each, which represents 28% of the issued share capital of the Company to Asia-Pacific Regional Bureau Ltd for a total consideration of HK$151,285,729 (i.e., HK$0.7047 per share) ("Consideration Shares").

Pursuant to an extraordinary general meeting held on 8 April 2011, subject to and conditional upon the grant by The Stock Exchange of Hong Kong Limited of the listing of and permission to deal in the Consideration Shares, the directors of the Group be and are hereby generally and specifically authorised to allot and issue at completion under the cooperation agreement the Consideration Shares to Asia-Pacific Regional Bureau Ltd. Following the completion of Acquisition on 24 May 2011, the Consideration Shares were allotted and issued and the Group had also made available HK$100,000,000 for the TV Screen Broadcast Business.

Pursuant to a special resolution passed at the extraordinary general meeting of the Company held on 8 April 2011, the name of the Company was changed from "Lo's Enviro-Pro Holdings Limited" to "Xinhua News Media Holdings Limited" and the Chinese name of "新華通訊頻媒控股有限公司" was adopted to replace the Company's former Chinese name of "勞氏環保控股有限公司" for identification purpose. The change of names was effective on 24 May 2011.

Following the completion of the Acquisition on 24 May 2011, the Group is engaged in the development of the business of broadcasting advertisement and information on indoors and outdoors television screen in the Asia-Pacific Region.

NOTES TO FINANCIAL STATEMENTS

38. EVENTS AFTER THE REPORTING PERIOD (continued)

(b) On 11 April 2011, the Company and the placing agent entered into the third warrant placing agreement, pursuant to which the Company has conditionally agreed to place, through the placing agent on a best efforts basis, a maximum of 45,900,000 unlisted warrants at the warrant issue price of HK$0.01 per warrant. Each warrant entitles the holder thereof to subscribe for one ordinary share of HK$0.01 each at a subscription price of HK$0.70 per share, payable in cash and subject to adjustment, from the date of issue of the warrants to the expiry, which is 18 months from the issue of the warrants.

On 3 May 2011, 45,900,000 warrants of HK$0.01 each were issued pursuant to the warrant placing agreement dated 11 April 2011 for a total cash consideration, before related expenses, of HK$459,000.

(c) On 11 April 2011, the Company and the placing agent entered into another placing agreement pursuant to which the Company have agreed to place a maximum of 45,900,000 shares to not less than six independent investors at the share placing price of HK$0.70 per share. On 3 May 2011, pursuant to the share placing agreement dated 11 April 2011, 45,900,000 shares of HK$0.01 each were issued for a total cash consideration, before related expenses, of HK$32,130,000.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 June 2011.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below.

RESULTS

	Year ended 31 March				
	2011	2010	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
CONTINUING OPERATIONS					
REVENUE	**177,314**	176,926	192,761	206,935	154,276
LOSS BEFORE TAX	**(63,122)**	(22,887)	(37,937)	(55,278)	(7,620)
Tax	**(283)**	–	–	–	9
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	**(63,405)**	(22,887)	(37,937)	(55,278)	(7,611)
DISCONTINUED OPERATION					
LOSS FOR THE YEAR FROM A DISCONTINUED OPERATION	**–**	–	–	(2,507)	(28,252)
LOSS FOR THE YEAR	**(63,405)**	(22,887)	(37,937)	(57,785)	(35,863)
ATTRIBUTABLE TO:					
EQUITY HOLDERS OF THE PARENT	**(51,809)**	(17,976)	(34,289)	(53,380)	(35,099)
NON-CONTROLLING INTERESTS	**(11,596)**	(4,911)	(3,648)	(4,405)	(764)
	(63,405)	(22,887)	(37,937)	(57,785)	(35,863)
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**242,131**	204,385	220,087	219,618	126,835
TOTAL LIABILITIES	**(42,484)**	(25,946)	(24,465)	(72,730)	(52,106)
NON-CONTROLLING INTERESTS	**(19,042)**	(28,922)	(33,414)	3,068	1,030
	180,605	149,517	162,208	149,956	75,759