XINHUA NEWS MEDIA HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

Annual Report 2011/2012

Stock code : 309

CONTENTS

BOARD OF DIRECTORS

Executive Directors

Ju Mengjun *(Co-chairman)*
Lo Kou Hong *(Co-chairman)*
Xu Zugen
Mao Hongcheng *(General Manager)*
Chang Loong Cheong
Meng Jin
Shi Guoxiong
Zhou Guanghe

Non-executive Director

Xu Rong

Independent Non-executive Directors

Xu Zhijuan
Tang Binfeng
Wang Qi

AUDIT COMMITTEE

Xu Zhijuan *(Chairman)*
Tang Binfeng
Xu Rong

REMUNERATION COMMITTEE

Xu Zhijuan *(Chairman)*
Tang Binfeng
Xu Rong

NOMINATION COMMITTEE

Ju Mengjun *(Chairman)*
Xu Zhijuan
Tang Binfeng

STRATEGY AND DEVELOPMENT COMMITTEE

Chang Loong Cheong *(Chairman)*
Xu Zugen
Zhou Guanghe
Xu Zhijuan
Tang Binfeng

EXECUTIVE COMMITTEE

Ju Mengjun *(Chairman)*
Mao Hongcheng
Chang Loong Cheong
Meng Jin
Xu Rong
Xu Zhijuan

CORPORATE GOVERNANCE COMMITTEE

Mao Hongcheng *(Chairman)*
Chang Loong Cheong
Meng Jin
Shi Guoxiong
Xu Zhijuan

COMPANY SECRETARY

Kwong Yin Ping, Yvonne

AUDITORS

Ernst & Young

SOLICITORS

King & Wood Mallesons

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

2nd Floor
5 Sharp Street West
Wan Chai
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
Wan Chai
Hong Kong

PRINCIPAL BANKERS

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

STOCK CODE

309

COMPANY'S WEBSITE

www.XHNmedia.com

Our Information, your competence

Dear Shareholders,

In the past year, Xinhua News Media Holdings Limited (the "Company") and its subsidiaries (together, the "Group"), through the efforts of the Group and relying on the advantage of multimedia information and a big demand from the local and overseas markets, has made considerable results in the area of electronic screen broadcast business.

One of the Group's core businesses is committed in broadcasting information and advertisements through indoor/outdoor screen terminals; while achieving interaction of latest online information from our Xinhua News Media Web with the screen terminals. In the year under review, the high-quality media programmes shown at the departure hall of the Mass Transit Railway Corporation Limited ("MTR") Hung Hom Station and Ktt through trains have received favorable comments from passengers and travelers. The increase in advertisement customers is bringing new source of revenue to the Company.

The electronic screen is a shining new media in the media group, clearly and intuitively attracting the general audience. Following the increase of traveling and leisure activities alongside the development and application of advanced new technologies, the dissemination of graphic imaging information and advertisements via electronic screens, is getting highly praised by more organisations and businesses. Electronic screen broadcast has been drawing more attention from the society and the volume of advertisements has increased when compared with other media channels. The large screen in the bustling areas and at airport stations has become a media platform to enhancing success of brands and elevating goodwill. The direction of the Group is to establish more and better large screens both locally and overseas.

Given the abundant news resources and reporters' networks from Xinhua News Agency, the Group is dedicated to create a sharing media platform namely, multimedia, new media, media group for society, shareholders and customers. Our idea is through continuous innovation in communication technology, further expansion in coverage, thereby allowing more and better instant image display and exchange and builds up an influential media world.

Looking ahead, we are committed to promoting the establishment of electronic screen and expansion of new media business at our all-out efforts. Together with outstanding personnel and talents in different fields, the Group promises to work positively and responsibly so as to bring for the best results to reciprocate expectations and trust from the society and shareholders.

Ju Mengjun
Co-chairman

Hong Kong, 28 June 2012

5 years +
商界展關懷
caring company
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

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

Dear Shareholders,

The global financial market during the year under review was marked by turbulence and overcast by a sequence of negative events - from the Fukushima earthquake resulting in the nuclear disaster to the revolutions in Africa and the Middle East, the downgrade of the US sovereign debt and the Euro debt crisis. As a small but open economy fully plugged into the global financial market, Hong Kong is inevitably affected by events, developments and crises happening around the world.

On the positive side, Hong Kong has been forging deeper and broader financial and economic links with the Mainland. With more RMB liquidity, more foreign businesses have been using Hong Kong as a platform to raise capitals for their Mainland investments and ventures. Furthermore, the Cross Boundary Trade Settlement Scheme coming into effect in July 2011 has reinforced Hong Kong as an off-shore centre for RMB and the most trusted testing ground for its internationalisation.

The Group is a top tier cleaning service provider in Hong Kong with a recognised commitment to quality. I am pleased to report that turnover in the cleaning and related services segment has increased by 12% to HK$187,000,000. I am confident that we shall be able to expand our presence in this area in the years ahead because we have two prime requirements in achieving further success, namely, a recognisable brand name (Lo's) built up for almost 40 years and a team of competent managers, dedicated staff and stable workforce.

The initial statutory minimum wage ("SMW") rate of $28 per manhour was brought into effect on 1 May 2011 by the government but the labour supply has remained tense. As a matter of fact, the unemployment rate fell to a 13-year low of 3.2% during the year, levels that signified full employment. Through the effort of the working party established to tackle the impact driven by the SMW, the Group has been able to tide over such difficulties.

Last but not least, I would like to express my gratitude to our shareholders who have offered their consistent support, to my fellow directors for their outstanding contributions and to our staff for their loyal services.

Lo Kou Hong
Co-chairman

Hong Kong, 28 June 2012

OPERATING RESULTS

The Group's turnover from continuing operations for the year ended 31 March 2012 amounted to HK$193,471,000 (2011: HK$176,989,000), represented a 9.3% increase as compared to the previous year. The loss of the Group for the year from continuing operations was HK$34,334,000 (2011: HK$31,137,000). Cleaning and related services business made a loss of HK$1,498,000, the medical waste treatment business made a profit of HK$30,000 and the television screen broadcast business made a loss of HK$21,742,000 which included an amortisation of HK$12,607,000 for the intangible asset related to the granting of the Free Right by Xinhua News Agency Asia-Pacific Regional Bureau Limited ("APRB") for the television screen broadcast business under the cooperation agreement entered into by APRB and the Company on 22 November 2010 (the "Cooperation Agreement").

The discontinuation of the operation of the municipal waste treatment plant located in Shuyang County, Jiangsu Province, PRC led to an impairment loss of HK$65,918,000 following the termination of the investment agreement with the Shuyang Municipal Government on 9 January 2012 as described in more details in the announcements published on 5 January 2012 and 11 January 2012. Total loss from the discontinued operation was HK$79,535,000.

BUSINESS REVIEW

Cleaning and related services, in particular for middle to high class residential estates, office buildings, retail and composite developments, were regarded as the principal business of the Group in the financial year under review. The Group was successful in obtaining a service contract providing general cleaning, pest management, curtain wall cleaning as well as stone finishing maintenance for a commercial development and a food court building including the linking foot-bridge of the two in Wan Chai; and cleaning contracts for a brand new commercial building standing in the heart of Central as well as a flagship store of a US-based international fashion and clothing retailer along Queen's Road Central. The Group is also negotiating for the contract with their second yet-to-be-opened store located in the heart of Mong Kok.

We were also able to renew several main service contracts in hand ranging from one to three years for seven commercial buildings in Central and Admiralty and two in Kowloon, as well as several residential estates, including one of the biggest estates in Tseung Kwan O with reasonable adjustments of the service charges to cope with the accelerating labour costs.

The series of the stone care and maintenance products from our Italian business partner, some of which were particularly formulated and manufactured to suit the local market, continued to be welcome and recognised by sectors of the industry.

For the medical waste treatment business, the two medical waste treatment plants of the Group in Siping City and Suihua City on the Mainland continued to be operating smoothly.

Following the entering into of the termination agreement dated 9 January 2012 with the Shuyang Municipal Government as disclosed in the announcement on 11 Januray 2012, the Group has been in and is continuing negotiations with an independent state-owned enterprise regarding the utilisation of the Municipal Waste Treatment Plant facilities in Shuyang. The Group expects that an agreement could be reached at the end of 2012.

We have diversified our business scope by developing the television screen broadcast business. With the completion of the Cooperation Agreement on 24 May 2011, the Group started to operate on a dual business model.

May to September of 2011 had been the initial developing stage of the television screen broadcast business. During this period, the Group had concentrated on setting up an efficient production and marketing team for the television screen broadcast business; preparing and completing technical specifications of the broadcast systems and channels; selecting and installing equipment and obtaining licences and permits required for the broadcast operations.

As announced on 3 August 2011, the Group obtained its first media content and advertisement services contract with the MTR for providing media content and advertisement on through trains operated by the MTR running between Guangzhou East and Hong Kong and at the departure hall of the MTR Hung Hom Station. Programmes were launched on the Ktt through trains in September 2011 but the Group was only able to complete the installation of television screens in the departure hall of the Hung Hom Station and satisfactory on-site testing at the beginning of March 2012.

The Group has commenced a full marketing campaign for the television screen broadcast business in the first quarter of 2012. Taking leverage from APRB's extensive business network, the Group has gained access to some of the prominent Chinese enterprises in Hong Kong which may become potential clients. The production team has also spent a lot of efforts in doing continuing research on understanding market trends and adjusting programmes to suit consumer tastes and preferences.

According to the Cooperation Agreement, APRB has undertaken that the audited operating revenue from the television screen broadcast business for the period ended 31 December 2011 would not be less than HK$30,000,000. The Company has started discussions with APRB on remedy and will make an announcement when an agreement has been made.

FINANCIAL REVIEW

As at 31 March 2012, the Group's cash and cash equivalents and pledged time deposits totalled HK$79,564,000 (2011: HK$101,319,000) and its current ratio (excludes the discontinued operation) was 4.71 (2011: 4.33). The Group's net assets were HK$271,137,000 (2011:HK$199,647,000).

As at 31 March 2012, the Group did not have any bank borrowings but the Group had a finance lease payable and loans from a director of HK$157,000 and HK$9,351,000 as at 31 March 2012 respectively (2011: HK$200,000 and HK$4,800,000); loans from a director is included in discontinued operation and therefore, its gearing ratio, representing ratio of a finance lease payable and loans from a director to shareholders' equity was 3.5% (2011: 2.5%). The Group's shareholders' equity amounted to HK$271,137,000 as at 31 March 2012 (2011: HK$199,647,000).

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

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

As at 31 March 2012, the Group's banking facilities were secured by the following:

(i) the pledge of certain of the Group's time deposits amounting to HK$4,001,000 (2011: HK$14,029,000); and

(ii) a corporate guarantee to the extent of Nil (2011: HK$18,000,000) provided by the Company.

CONVERTIBLE NOTES

On 16 December 2008, the Company issued zero-coupon convertible notes with a nominal value of HK$65,000,000 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 in Peixin Group Ltd..

The convertible notes had already been adjusted downward in 2010 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 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.

On 1 January 2012, the convertible notes matured and the outstanding principal of the convertible notes that has not been converted into shares was redeemed in its entirety by the Company at a redemption price of HK$1.

WARRANTS

i) 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.

In the year ended 31 March 2011, 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.

During the year, no further warrant had been exercised and the remaining of 42,000,000 unlisted warrants at the issue price of HK$0.015 each expired. The related warrant reserve of HK$630,000 was transferred to accumulated losses.

ii) Warrants placed on 18 March 2011

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. 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 2012, no warrantholders have exercised the subscription rights attached to the warrants.

iii) Placing of New Shares and 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.

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$30,451,000.

As at 31 March 2012, no warrantholders have exercised the subscription rights attached to the warrants.

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 (2011: HK$1,157,000) 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$2,912,000 as at 31 March 2012 (2011: HK$1,016,000). 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$1,531,000 (2011: HK$592,000) in respect of such payments has been made in the consolidated statement of financial position as at 31 March 2012.

(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 of the Company (the "Directors"), based on current evidence, any such existing claims should be adequately covered by the insurance as at 31 March 2011 and 2012.

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees of the Group as at 31 March 2012 was 1,579 (2011: 1,622). Total staff costs, including Directors' emoluments and net pension contributions, for the year under review amounted to HK$165,984,000 (2011: HK$151,090,000). 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 Directors, are eligible to participate in the Company's share option scheme.

PROSPECTS

The Cooperation Agreement signed between the Company and 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 Chinese conglomerates and state-owned enterprises in China. The Group 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.

In 2012, the Group has formulated defined developmental direction and objectives for its television screen broadcast business. Following a half-year penetration pricing, the Group has established the framework for its sales network and identified targeted sales partners. It is expected that in the second half of 2012, the Group would improve its sales strategies by raising the pricing for securing income and focus on broadcasting in large shopping malls.

The Group is currently negotiating with the owners of several large shopping malls for commencing broadcast in those shopping malls for direct contact with consumers, which would enhance the advertising power. The contents of programs will be localised to include more local programs, which shows significant improvement in contents diversification and local procedures.

The Group has entered into a broadcast agreement with the Airport Authority Hong Kong in March 2012 for the broadcast of the programmes produced by the Group at the airport, starting in 2012. The commencement of broadcast will significantly increase the Group’s influence and recognition over the market and media, promoting other advertising-related business, so as to promote stable income growth.

The Group is now negotiating with some social enterprises for cooperation in the provision of matching forum for advertising media, which would be used by social enterprises for marketing and development. While operating its business, the Group would also be able to contribute to the community and support a worthy cause as a responsible member of the Hong Kong society.

The statutory minimum wage rate is to be revised once bi-yearly and the next revision will take place in May 2013. Among others, whether the meal break and rest day should be paid remain a hot debate by many different sectors of the community. The Group foresees that we would still have a strained labour market in the coming year, but with our close and established connection and co-operation with the labour and charity associations, we are confident that we would be able to maintain a stable labour force to fulfill our contractual obligations of the appointments and to enable the Group to expand its market share through strong competitiveness. The success of the sale of the stone care and maintenance products is an encouragement and the Group plans to work harder with our Italian partner to constantly up-grade their products and to introduce new ones from time to time to tally with the requirements of the market.

In order to formulate the strategic and development direction of the Group, the Board approved the formation of the Strategy and Development Committee in March 2012. The duties of the Strategy and Development Committee include, among other things, (i) to research, gather information and keep abreast of market trends and identify investment opportunities, and (ii) to evaluate and make recommendations on proposed investment acquisitions.

In this regard and leveraging on the network and resources of APRB, the Strategy and Development Committee has been continuously evaluating possible investment opportunities with a view to broadening the Group's revenue source, enhancing the performance of the Group, creating value for shareholders and increasing shareholders' return. The Group will consider the possible acquisition of new business in a prudent manner when appropriate and promising opportunity arises based on criteria such as (i) having profit generating track records and future growth prospects, (ii) being in an industry supported by the PRC government, (iii) having a size of operation that is suitable for the Group from an acquisition point of view, and (iv) having the potential to create synergy with the existing business of the Group.

The Directors have recently identified and is reviewing a potential acquisition target and some preliminary discussions have taken place but no terms and conditions have been agreed and such acquisition may or may not materialise. The Group has not entered into any agreement, arrangement, understanding or undertaking, whether formal or informal and whether expressed or implied, about any acquisition of new business by the Group. If there is any progress with respect to such potential acquisition or any other possible acquisition in the future that necessitates an announcement to be made by the Group pursuant to the Listing Rules, the Group will make such announcement as and when appropriate.

EXECUTIVE DIRECTORS

Mr. Ju Mengjun, aged 55

Mr. Ju Mengjun ("Mr. Ju") is the Co-chairman of the Board, an Executive Director and the Chairman of the Executive Committee and the Nomination Committee of the Company. Mr. Ju is also a director of Xinhua News Media Limited, a wholly-owned subsidiary 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 and Literature of Beijing University, has studied at Pushkin State Russian Language Institute, Moscow and has been a post-graduate.

Dr. Lo Kou Hong, aged 69

Dr. Lo Kou Hong ("Dr. Lo") is the founder of the Group, the Co-chairman of the Board and an Executive Director of the Company. He is also a director of certain subsidiaries of the Company. Prior to establishing Lo's Cleaning Services Limited in 1978, 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.

Mr. Xu Zugen, aged 59

Mr. Xu Zugen ("Mr. Xu") is an Executive Director and a member of the Strategy and Development 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 29 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.

Mr. Mao Hongcheng, aged 51

Mr. Mao Hongcheng ("Mr. Mao") is an Executive Director, the General Manager, the Chairman of the Corporate Governance Committee and a member of the Executive Committee of the Company. He joined the Company in May 2011. He is also a director and the general manager of Xinhua News Media Limited, a wholly-owned subsidiary of the Company. 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 a wholly-owned subsidiary of Xinhua News Agency and a substantial shareholder of CDC Corporation (a company listed on NASDAQ), CDC Corporation 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 Stock Exchange of Hong Kong). During his 26 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 the 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. Chang Loong Cheong, aged 65

Mr. Chang Loong Cheong ("Mr. Chang") is an Executive Director, the Chairman of the Strategy and Development Committee and a member of the Executive Committee and the Corporate Governance Committee of the Company. Mr. Chang is also a director of Xinhua News Media Limited, a wholly-owned subsidiary of the Company. He joined the Company in September 2011. Mr. Chang is currently a director of World Target Properties (Shanghai) Limited; the chief consultant of Sing Lee Software (Group) Limited (a company listed on the Stock Exchange of Hong Kong); an independent non-executive director, the chairman of the audit committee and a member of the nominating committee of China Technology Development Group Corporation (a company listed on NASDAQ) and a director of Jade Link Hotel Shanghai. Mr. Chang served as an executive member of senior management of Orient Overseas Container Line Limited and Island Navigation Corporation International Limited; a director and the general manager of Noble Ascent Company Limited; a director of Shanghai Xinhua Iron and Steel Company Limited; a director of Oriental International (Shanghai) Limited; an independent non-executive director, the chairman of the audit committee and a member of the remuneration committee of Guangshen Railway Company Limited (a company listed on the Stock Exchange of Hong Kong, New York Stock Exchange and Shanghai Stock Exchange).

Mr. Meng Jin, aged 35

Mr. Meng Jin ("Mr. Meng") is an Executive Director, and a member of the Executive Committee and the Corporate Governance Committee of the Company. Mr. Meng is also a director and the deputy general manager of Xinhua News Media Limited, a wholly-owned subsidiary of the Company. He joined the Company in October 2011. Mr. Meng previously served as deputy general manager of Shanghai Goal Real Hospital Investment and Management Company Limited and a member of the management team of several large corporations such as Hutchison Whampoa Shanghai Westgate Mall, Chang Zhou Able Garments Company Limited, China Jin Mao Group etc.. Mr. Meng holds a bachelor's degree in Business Administration from Fontys Hogescholen (Fontys University of Applied Sciences) and a Master of Business Administration from Maastricht Hotel Management School of Hogeschool Zuyd (Zuyd University of Applied Sciences).

Mr. Shi Guoxiong, aged 64

Mr. Shi Guoxiong ("Mr. Shi") is an Executive Director and a member of the Corporate Governance Committee of the Company. He joined the Company in October 2011. Mr. Shi graduated from the Department of Chinese of Harbin Normal University. He is currently a consultant of China Industrial Economy Newspaper; vice-president of Chinese Press Association; vice-president of China Western Research and Development Promotion Association. Mr. Shi served as a standing committee member of the 13th Central Committee of the Communist Young League; Secretary of the Party Committee, deputy chief editor, and vice-president of China Youth Daily; secretary of Party Committee and president of China Youth Magazine; president of China Business Times Newspaper; an executive committee member and party committee member of The National Federation of Industry and Commerce; Secretary of Party Committee and president of the Chinese Children Press and the director of the 1st and 2nd term Committee of the China Overseas Friendship Association.

Mr. Zhou Guanghe, aged 41

Mr. Zhou Guanghe ("Mr. Zhou") is an Executive Director and a member of the Strategy and Development Committee of the Company. He joined the Company in October 2011. He is also a director of Xinhua News Media Limited, a wholly-owned subsidiary of the Company. Mr. Zhou is currently the president and the general manager of Shanghai New World International Travel Service Company Limited; vice-president of Shanghai Yu Yuan Chamber of Commerce; vice-chairman of Association of Industry and Commerce in Huangpu District of Shanghai; and National People's Congress representative of Huangpu District of Shanghai Municipality. Mr. Zhou previously served as the deputy manager and the chairman of the Labor Union of the Shanghai Agricultural-Industrial-Commercial Greening Company Limited. Mr. Zhou has rich experience in business operations and management, market development and financial management. He has been awarded the title of Shanghai's Top Ten Young Undertaking Pioneers and China's Yangtze Delta Top Ten Young Merchants in 2009 and 2010 respectively.

NON-EXECUTIVE DIRECTOR

Mr. Xu Rong, aged 48

Mr. Xu Rong ("Mr. Xu") is a Non-executive Director, a member of the Audit Committee, the Remuneration Committee and the Executive Committee 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 also 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 Company Limited and Shanghai Jiuhe Storage Company Limited as well as the president of Sufan Catering Management Company Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Xu Zhijuan, aged 31

Ms. Xu Zhijuan ("Ms. Xu") is an Independent Non-executive Director, the Chairman of the Audit Committee and Remuneration Committee and a member of the Executive Committee, the Strategy and Development Committee, the Nomination Committee and the Corporate Governance Committee of the Company. She joined the Group in November 2011. Ms. Xu is a certified public accountant in China and a member of both the Chinese Institute of Certified Public Accountants ("CICPA") and the Association of Chartered Certified Accountants ("ACCA"). Ms. Xu serves as the finance manager, deputy in charge of the group's financial and accounting management of ASC Fine Wines Company Limited ("ASC") (a pioneer of fine wine importers in China); overseeing ASC group's financial operations and performance in the Greater China Region and leading ASC group's internal audit function. Prior to joining ASC, Ms. Xu worked as an auditor in PricewaterhouseCoopers in China for many years, and has extensive professional experience in auditing, taxation, accounting and financial management. Ms. Xu is proficient in various GAAPs. Ms. Xu holds a Bachelor's degree in Business Administration (International Accounting) from Shanghai University of Finance and Economics.

Mr. Tang Binfeng, aged 42

Mr. Tang Binfeng ("Mr. Tang") is an Independent Non-executive Director, a member of the Audit Committee, the Remuneration Committee, the Strategy and Development Committee and the Nomination Committee of the Company. He joined the Group in November 2011. Mr. Tang is currently the deputy general manager of Qingdao Zhenqing Certified Public Accountants Company Limited, Shanghai Branch ("Qingdao Zhenqing Shanghai"). Prior to joining Qingdao Zhenqing Shanghai, Mr. Tang worked at Shanghai City Construction Third Engineering Bureau Company and Shanghai Pudong Water Corporation.

Mr. Wang Qi, aged 57

Mr. Wang Qi ("Mr. Wang") is an Independent Non-executive Director of the Company. He joined the Group in August 2006. Mr. Wang is currently a director of Jingneng Property Company Limited (a company listed on the Shanghai Stock Exchange), engaging in property development in Beijing. He is also the general manager of Tian Chuang Science and Technology Development Company Limited, 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 Hotels 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.

The Company recognises the vital importance of good corporate governance to the Group's success and sustainability. Corporate governance practices would be reviewed from time to time to ensure compliance with the regulatory requirements and to meet the rising expectations of shareholders and investors relating to transparency and accountability of all its operations.

In the opinion of the Board, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in the former Appendix 14 of the Listing Rules throughout the year under review, save for the deviations as set out below:

Code Provision A.1.3

There were two regular board meetings where notice of less than 14 days had been given. Although shorter notice had been given to facilitate expeditious decision making, it was ensured that reasonable notice was given to enable all Directors to attend board meetings and to include matters for discussion in the agenda as they think fit.

Code Provision A.2.1

Code Provision A.2.1 requires the roles of the Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

From 1 April 2011 to 16 May 2011, Dr. Lo Kou Hong was both the Chairman of the Board and the Chief Executive Officer of the Company. From 17 May 2011 to 20 October 2011, Mr. Cheung Ming was an Executive Director and Chief Executive Officer. On 13 June 2011, Mr. Ju Mengjun and Dr. Lo Kou Hong had been re-designated as the Co-chairman of the Board each contributing his experience and focusing on the television screen broadcast business and the cleaning and related business, respectively. The Board considers that each of Mr. Ju Mengjun and Dr. Lo Kou Hong holds the office of Chairman in relation to the television screen broadcast business and the cleaning and related business of which they monitor and manage effectively. Accordingly, the Board is of the opinion that such arrangement is appropriate to the Group's dual business model and in the best interests of the Company.

The CG Code has been amended by the Stock Exchange which is now known as the Corporate Governance Code (the "New Code") with effect from 1 April 2012. The Company has reviewed its policies and procedures and made necessary changes in compliance with the New Code.

A. BOARD OF DIRECTORS

1. Responsibilities

The Board is responsible for the overall management of the Company. Its main roles are to provide leadership and to take responsibility for decisions relating to major and significant matters (in particular those that may involve conflict of interest) on policies formulation, financial and operation performances, capital acquisitions and disposals and Directors' appointment. The Directors perform their duties in good faith and in the interests of the Company and its shareholders as a whole at all times.

The day-to-day management, administration and operation of the Company are delegated to the Executive Directors and 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 management to discharge its responsibilities.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary and 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 Company has arranged appropriate insurance cover in respect of legal actions against its Directors as required by the New Code.

2. Board Composition

The Board currently comprises the following members:

Executive Directors:

Mr. Ju Mengjun
Co-chairman of the Board
Chairman of both the Executive Committee and the Nomination Committee
Dr. Lo Kou Hong
Co-chairman of the Board
Mr. Xu Zugen
Member of the Strategy and Development Committee
Mr. Mao Hongcheng
Member of the Executive Committee
Chairman of the Corporate Governance Committee
Mr. Chang Loong Cheong
Member of both the Corporate Governance Committee and the Executive Committee
Chairman of the Strategy and Development Committee
Mr. Meng Jin
Member of both the Corporate Governance Committee and the Executive Committee
Mr. Shi Guoxiong
Member of the Corporate Governance Committee
Mr. Zhou Guanghe
Member of the Strategy and Development Committee

Non-executive Director:

Mr. Xu Rong
Member of the Audit Committee, the Executive Committee and the Remuneration Committee

Independent Non-executive Directors:

Ms. Xu Zhijuan
Chairman of both the Audit Committee and the Remuneration Committee
Member of the Corporate Governance Committee, the Executive Committee, the Nomination Committee, and the Strategy and Development Committee
Mr. Tang Binfeng
Member of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Strategy and Development Committee
Mr. Wang Qi

The profiles of the Directors of the Company are disclosed under the section headed "Biographical Information of Directors" in this annual 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 Director 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 different Board Committees of the Company.

During the year ended 31 March 2012, the Board had 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 Ms. Xu Zhijuan, who possesses appropriate professional qualifications or accounting or 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. Co-chairmen

With the addition of the television screen broadcast business during the year, both Mr. Ju Mengjun and Dr. Lo Kou Hong have been re-designated as Co-chairman of the Board and each has assumed the roles of chairman of the respective television screen broadcast business and cleaning and related services business they are responsible.

The Board considers the arrangement is appropriate to the Group's dual core business and allows for more effective and efficient business planning and decisions as well as execution of long-term business strategies.

4. Appointment, Re-election and Removal of Directors

Dr. Lo Kou Hong is engaged in a service contract with the Company which will continue unless and until terminated by either party by not less than six months' written notice. All the other Executive Directors of the Company are engaged for a term of one or two years. Non-executive Director and Independent Non-executive Directors are engaged for a term of approximately one year.

The procedures and process of appointment, re-election and removal of Directors are laid down in the Company's Articles of Association. All 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. Any new Director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office only until the first general meeting of the Company after his/her appointment and shall then be eligible for re-election at that meeting.

5. Induction and Continuing Development of Directors

All the Directors of the Company 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

The Directors met regularly as and when required by business needs. 18 Board meetings were held for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company. While the Company adopts a more flexible approach in convening board meetings, schedules for Board meetings are normally agreed with the Directors in advance in order to facilitate them to attend. For other committee meetings, reasonable notice is generally given. Arrangements are made to ensure Directors receive sufficient notice and information prior to Board and Committee Meetings.

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 as soon as practicable 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 management whenever necessary.

The Company Secretary is responsible for keeping 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.

Directors' Attendance Records

18 Board meetings were held during the year ended 31 March 2012. Attendance of each Director at Board meetings during the year under review are set out below:

Name of Directors	**Attendance**
Mr. Ju Mengjun *(Appointed on 24 May 2011)*	12
Dr. Lo Kou Hong	15
Mr. Cheung Ming *(Appointed on 17 May 2011 and resigned on 21 October 2011)*	5
Mr. Xu Zugen *(Appointed on 24 May 2011)*	12
Mr. Mao Hongcheng *(Appointed on 24 May 2011)*	11
Mr. Chang Loong Cheong *(Appointed on 27 September 2011)*	12
Ms. Ko Lok Ping, Maria Genoveffa *(Resigned on 27 September 2011)*	4
Mr. Meng Jin *(Appointed on 21 October 2011)*	9
Mr. Shi Guoxiong *(Appointed on 27 October 2011)*	9
Mr. Zhou Guanghe *(Appointed on 27 October 2011)*	8
Mr. Leung Tai Tsan, Charles *(Resigned on 27 October 2011)*	7
Mr. Cheung Pui Keung, James *(Resigned on 27 October 2011)*	6
Mr. Xu Rong	11
Mr. Cheng Kai Tai, Allen *(Resigned on 2 November 2011)*	7
Mr. Chiu Wai Piu *(Resigned on 2 November 2011)*	8
Mr. Wang Qi	9
Ms. Xu Zhijuan *(Appointed on 2 November 2011)*	8
Mr. Tang Binfeng *(Appointed on 2 November 2011)*	8

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 2012.

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.

B. BOARD COMMITTEES

The Board has established six Board committees, namely, Audit Committee, Remuneration Committee, Nomination Committee, Corporate Governance Committee, Executive Committee and Strategy and Development Committee, for overseeing particular aspects of the Company's affairs. All Board committees have defined written terms of reference and report to the Board on their decisions or recommendations made. To assist the Board committees to perform their responsibilities, sufficient resources are provided and independent advice is also available on request at the Company's expense.

1. Audit Committee

The Audit Committee comprises three members, two Independent Non-executive Directors, namely, Ms. Xu Zhijuan and Mr. Tang Binfeng; and one Non-executive Director, namely Mr. Xu Rong. The Chairman of the Audit Committee is Ms. Xu Zhijuan 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 objectivity 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. The terms of reference of the Audit Committee have been revised in accordance with the New Code on 29 March 2012 and are available on the Company's website.

During the year ended 31 March 2012, the Audit Committee has met twice and reviewed the financial statements, results announcements and reports for the year ended 31 March 2011, interim results for the six months ended 30 September 2011, the financial reporting and compliance procedures, and the report from the 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.

Attendance records of each member at the Audit Committee meetings are set out below:

Name of Audit Committee Members	Attendance
Ms. Xu Zhijuan *(Chairman, appointed on 2 November 2011)*	1
Mr. Tang Binfeng *(Appointed on 2 November 2011)*	1
Mr. Xu Rong *(Appointed on 29 November 2011)*	0
Mr. Wang Qi *(Ceased to act on 29 November 2011)*	2
Mr. Cheng Kai Tai, Allen *(Resigned on 2 November 2011)*	1
Mr. Chiu Wai Piu *(Resigned on 2 November 2011)*	1

2. Remuneration Committee

The Remuneration Committee comprises of two Independent Non-executive Directors, namely Ms. Xu Zhijuan and Mr. Tang Binfeng; and one Non-executive Director, namely Mr. Xu Rong. The Chairman of the Remuneration Committee is Ms. Xu Zhijuan.

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 management, such policy shall ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration; (ii) determine with delegated responsibility the remuneration packages of the Executive Directors and management; and (iii) review and approve management's remuneration proposals with reference to the Board's corporate goals and objectives.

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 Co-chairmen of the Company about these recommendations on remuneration policy and structure and remuneration packages. The terms of reference of the Remuneration Committee have been revised in accordance with the New Code on 29 March 2012 and are available on the Company's website.

During the year ended 31 March 2012, 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 the management of the Group during the year of review. Attendance records of each member at the Remuneration Committee meetings are set out below:

Name of Remuneration Committee Members	Attendance
Ms. Xu Zhijuan *(Chairman, appointed on 2 November 2011)*	1
Mr. Tang Binfeng *(Appointed on 2 November 2011)*	1
Mr. Xu Rong *(Appointed on 29 November 2011)*	0
Mr. Wang Qi *(Ceased to act on 29 November 2011)*	2
Dr. Lo Kou Hong *(Ceased to act on 29 November 2011)*	0
Mr. Leung Tai Tsan, Charles *(Resigned on 27 October 2011)*	1
Mr. Chiu Wai Piu *(Resigned on 2 November 2011)*	1
Mr. Cheng Kai Tai, Allen *(Resigned on 2 November 2011)*	1

3. Nomination Committee

The Company established a Nomination Committee on 8 March 2012 as required under the New Code. The main duties of the Nomination Committee are to (i) review the structure, size and composition of the Board; and (ii) make recommendations on the appointment and re-appointment of Directors and succession planning. The terms of reference of the Nomination Committee are available on the Company's website.

The Nomination Committee consists of three members, namely, Mr. Ju Mengjun, the Chairman, Ms. Xu Zhijuan and Mr. Tang Binfeng. Ms. Xu and Mr. Tang who are Independent Non-executive Directors. During the year ended 31 March 2012, the Nomination Committee did not hold any meeting.

4. Corporate Governance Committee

The Corporate Governance Committee was established on 8 March 2012 for performing corporate governance duties delegated by the Board. The main duties of the Committee are to (i) develop and review corporate governance policies, (ii) review and monitor compliance with legal and regulatory requirements, (iii) investigate complaints of unlawful conduct and irregularities of ethical and integrity issues; (iv) monitor training and continuing professional development of Directors and senior management; and (iv) assess the Board's performance from time to time and to make recommendations to the Board.

The Committee comprises five members, namely, Mr. Mao Hongcheng, the Chairman, Mr. Chang Loong Cheong, Mr. Meng Jin, Mr. Shi Guoxiong and Ms. Xu Zhijuan. During the year ended 31 March 2012, the Corporate Governance Committee did not hold any meeting.

5. Executive Committee

The Executive Committee is composed of no less than half of the number of Directors of which one-third is Non-executive Director and/or Independent Non-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. The Non-executive Director and Independent Non-executive Directors are invited to attend Executive Committee meetings to advise on risk management and compliance matters.

The Executive Committee comprises six members, namely, Mr. Ju Mengjun, the Chairman, Mr. Mao Hongcheng, Mr. Chang Loong Cheong, Mr. Meng Jin, Mr. Xu Rong and Ms. Xu Zhijuan. During the year ended 31 March 2012, the Executive Committee did not hold any meeting.

6. Strategy and Development Committee

The Strategy and Development Committee was established on 8 March 2012 for the purpose of formulating the strategic and development direction of the Group. The main duties of the Strategy and Development Committee include (i) to research, gather information and keep abreast of market trends and identify investment opportunities, and (ii) to evaluate and make recommendations on proposed investment acquisitions.

The Strategy and Development Committee comprises five members, namely, Mr. Chang Loong Cheong, the Chairman, Mr. Xu Zugen, Mr. Zhou Guanghe, Ms. Xu Zhijuan and Mr. Tang Binfeng. During the year ended 31 March 2012, the Strategy and Development Committee did not hold any meeting.

C. RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 March 2012 which were prepared in accordance with statutory requirements and applicable accounting standards. The reporting responsibilities of the auditors on the financial statements are set out in the section "Independent Auditors' Report".

The Board is not aware of any 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 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. AUDITORS' REMUNERATION

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 2012 are analysed below:

Types of services provided by the external auditors	**Fees paid/payable** HK$
Audit services	1,250,000
Non-audit services: Include a review of interim financial statements, tax services fee	239,800
TOTAL:	1,489,800

F. COMPANY SECRETARY

Ms. Kwong Yin Ping, Yvonne was appointed as the Company Secretary of the Company on 10 November 2011. Ms. Kwong is a senior manager of a corporate service provider company in Hong Kong. Mr. Meng Jin and Mr. Chang Loong Cheong, both Executive Directors, are key contacts in the Company for Ms. Kwong in relation to any corporate secretarial matters.

G. 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 recognises 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 Co-chairman of the Board as well as the Chairmen and/or other members of the Audit Committee, the Remuneration Committee and the Nomination Committee will normally attend the annual general meetings and other shareholders' meetings of the Company to answer questions raised.

H. 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.

Procedures for shareholders to requisition a shareholders' meeting or to demand a poll on resolutions at shareholders' meetings are contained in the Company's constitutional documents. There were no significant changes in the Company's constitutional documents during the year.

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2012.

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 17 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 2012 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 37 to 99.

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 100. 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 14 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 29 and 30 to the financial statements.

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 31 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2012, the Company had no reserves available for distribution. The Company's share premium account, in the amount of HK$423,819,000, 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 33%.

Purchases from the Group's five largest suppliers accounted for approximately 61% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 18%.

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.

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. Cheung Ming *(Appointed on 17 May 2011 and resigned on 21 October 2011)*
Mr. Xu Zugen *(Appointed on 24 May 2011)*
Mr. Mao Hongcheng *(General Manager) (Appointed on 24 May 2011)*
Mr. Chang Loong Cheong *(Appointed on 27 September 2011)*
Ms. Ko Lok Ping, Maria Genoveffa *(Resigned on 27 September 2011)*
Mr. Meng Jin *(Appointed on 21 October 2011)*
Mr. Shi Guoxiong *(Appointed on 27 October 2011)*
Mr. Zhou Guanghe *(Appointed on 27 October 2011)*
Mr. Leung Tai Tsan, Charles *(Resigned on 27 October 2011)*
Mr. Cheung Pui Keung, James *(Resigned on 27 October 2011)*

Non-executive Director:
Mr. Xu Rong

Independent Non-executive Directors:
Ms. Xu Zhijuan *(Appointed on 2 November 2011)*
Mr. Tang Binfeng *(Appointed on 2 November 2011)*
Mr. Wang Qi
Mr. Cheng Kai Tai, Allen *(Resigned on 2 November 2011)*
Mr. Chiu Wai Piu *(Resigned on 2 November 2011)*

According to Article 112 of the Company's Articles of Association, Dr. Lo Kou Hong, Mr. Xu Zugen, Mr. Xu Rong and Mr. Wang Qi shall retire by rotation at the 2012 annual general meeting of the Company whereas according to Article 95 of the Company's Articles of Association Mr. Chang Loong Cheong, Mr. Meng Jin, Mr. Shi Guoxiong, Mr. Zhou Guanghe, Ms. Xu Zhijuan and Mr. Tang Binfeng shall retire at the 2012 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 Ms. Xu Zhijuan, Mr. Tang Binfeng, and Mr. Wang Qi and as at the date of this report still considers them to be independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors of the Company 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.

DIRECTORS' REMUNERATION

Directors' remuneration is determined by the Remuneration Committee and the Board of Directors of the Company with reference to Directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 36(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 2012, 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))	6.86%
	Long	Interest of spouse	1,700,000 (Note (2))	0.15%

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, was 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 2012.

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	6,000,000	0.51%
	Long	Interest of spouse	6,000,000 (Note)	0.51%

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.

Notes: Dr. Lo Kou Hong was deemed to be interested in the 6,000,000 share options of the Company through interest of his spouse, 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 2012.

B.(1) Associated corporation – 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%

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 was deemed to be interested in such shares pursuant to Part XV of the SFO.

* The percentage represents the number of underlying shares interested divided by the number of the Peixin's issued shares as at 31 March 2012.

B.(2) Associated corporation – 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%

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 was 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 number of Shuyang ITAD's issued shares as at 31 March 2012.

In addition to the above, as at 31 March 2012, Dr. Lo Kou Hong held one share in a subsidiary 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 2012, none of the Directors 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 2012.

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 30 to the financial statements.

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 2011	Number of share options: Lapsed during the year	Number of share options: At 31 March 2012	Date of grant of share options (1)	Exercise period of share options	Exercise price of share options (2) HK$ per share
Director						
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	(3,400,000)	6,000,000			
Other employees						
In aggregate (3)	13,000,000	-	13,000,000	12-5-05	22-4-05 to 21-4-15	0.275
	2,820,000	(2,820,000)	-	22-2-07	22-2-08 to 21-2-12	1.41
	2,820,000	(2,820,000)	-	22-2-07	22-2-09 to 21-2-12	1.41
	2,820,000	(2,820,000)	-	22-2-07	22-2-10 to 21-2-12	1.41
	2,820,000	(2,820,000)	-	22-2-07	22-2-11 to 21-2-12	1.41
	2,820,000	(2,820,000)	-	22-2-07	22-11-11 to 21-2-12	1.41
	27,100,000	(14,100,000)	13,000,000			
	36,500,000	(17,500,000)	19,000,000			

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

(1) The vesting period of the share options is from the date of grant until the commencement of the exercise period.

(2) 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.

(3) Ms. Ko Lok Ping, Maria Genoveffa resigned as an Executive Director of the Company on 27 September 2011. The 6,000,000 share options granted by the Company to Ms. Ko Lok Ping, Maria Genoveffa for subscribing 6,000,000 shares of the Company remain exercisable.

Mr. Leung Tai Tsan, Charles and Mr. Cheung Pui Keung, James resigned as Executive Directors of the Company on 27 October 2011. The 3,000,000 share options granted by the Company to Mr. Leung Tai Tsan, Charles and the 4,000,000 share options granted by the Company to Mr. Cheung Pui Keung, James for subscribing 3,000,000 shares and 4,000,000 shares of the Company respectively remain exercisable.

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

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

As at 31 March 2012, 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
APRB	Long	Beneficial owner	214,681,040	18.40%
Xinhua News Agency Asia-Pacific Regional Bureau	Long	Interest held by controlled corporation	214,681,040 (Note(1))	18.40%
Ms. Ko Lok Ping, Maria Genoveffa	Long	Beneficial owner	1,700,000	0.15%
	Long	Interest of spouse	80,000,000 (Note (2))	6.86%
The Lo's Family (PTC) Limited	Long	Trustee	80,000,000 (Note (3))	6.86%
Equity Trustee Limited	Long	Trustee	80,000,000 (Note (3))	6.86%

Notes:

(1) These shares were owned by APRB, the entire issued share capital of which was owned by Xinhua News Agency Asia-Prcific Regional Bureau. Accordingly, Xinhua News Agency Asis-Pacific Regional Bureau was deemed to be interested in such shares pursuant to Part XV of the SFO.

(2) Ms. Ko Lok Ping, Maria Genoveffa was deemed to be interested in the 80,000,000 shares of the Company through interest of her spouse, Dr. Lo Kou Hong.

(3) 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 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 ordinary shares interested divided by the number of the Company's issued shares as at 31 March 2012.

CONNECTED TRANSACTIONS

1. Saved as disclosed below, the Group had not entered into any connected transactions or continuing connected transactions not exempt under Rules 14A.31or 14A.33 of the Listing Rules during the year ended 31 March 2012. Further details of these transactions are set out in note 36 to the financial statements.

2 As disclosed in the announcement of the Company dated 22 June 2011, Xinhua News Media Limited, a wholly-owned subsidiary of the Company, entered into two tenancy agreements as tenant with two associates of Xinhua New Agency Asia Pacific Region Bureau (which owned all the issued shares of APRB, a substantial shareholder of the Company), as landlords and hence connected persons of the Company as defined under the Listing Rules. The annual caps for the transactions under the tenancy agreements were set at HK$4,100,000 and HK$1,300,000 for each of the two financial years ending 31 March 2013. Details of the tenancy agreements are as follows:

(a) Tenancy agreement dated 22 June 2011 relating to the second floor, Tower 1, News Building, No. 1002 Shennan Middle Road, Futian District, Shenzhen, Guangdong Province, China

Landlord	Term	Monthly rent	Monthly Management fee
中國新聞發展深圳有限公司 (China News Development (Shenzhen) Company Limited)*	22 June 2011 to 21 June 2012	RMB144,150 (equivalent to approximately HK$176,473)	RMB37,840 (equivalent to approximately HK$46,324)

** For identification purpose only*

(b) Tenancy agreement dated 22 June 2011 relating to shop no. 2 on the ground floor and the entire 2nd floor of 5 Sharp Street West, Wan Chai, Hong Kong

Landlord	Term	Monthly rent	Monthly Management fee
Xinhua News Agency Hong Kong Special Administrative Region Branch Limited	22 June 2011 to 5 July 2012	HK$172,500	HK$8,300

Accordingly, the transactions under the tenancy agreements constitute continuing connected transactions not exempt under Rule14A.33 of the Listing Rules and were subject to the reporting, announcement and annual review requirements but are exempted from independent shareholders' approval requirement.

The Independent Non-executive Directors of the Company have reviewed the continuing connected transactions and have confirmed that the continuing connected transactions have been entered into:

1. in the ordinary and usual course of business of the Group and on normal commercial terms;

2. in accordance with the relevant agreements governing them on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole; and

3. the annual amounts of the transactions have not exceeded the annual cap disclosed in the announcement dated 22 June 2011.

The auditors of the Company have confirmed their findings and conclusions in respect of the continuing connected transactions during the year ended 31 March 2012 disclosed above by the Group were in accordance with Rule 14A.38 of the Listing Rules.

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

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.

MATURITY OF THE CONVERTIBLE NOTES

On 16 December 2008, the Company issued zero-coupon convertible notes with a nominal value of HK$65,000,000 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$32,500,000 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.

During the year ended 31 March 2010, the convertible notes have been adjusted downwards by HK$65,000,000 due to the actual 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. 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.

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.

On 1 January 2012, the convertible notes matured and the outstanding principal of the convertible notes that has not been converted into shares was redeemed in its entirety by the Company at a redemption price of HK$1.

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 AND WARRANT HOLDERS

For determining the entitlement to attend and vote at the 2012 annual general meeting, the register of members of the Company will be closed from Monday, 17 September 2012 to Wednesday, 19 September 2012 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify to attend and vote at the annual general meeting to be held on Wednesday, 19 September 2012, unregistered holders of shares and warrants of the Company should ensure that, all share transfer documents accompanied by the relevant share certificates and all duly completed subscription forms accompanied by the relevant warrant certificates and the appropriate subscription monies respectively 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, Wan Chai, Hong Kong, for registration not later than 4:30pm on Friday, 14 September 2012.

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

JU MENGJUN
Co-chairman
Hong Kong
28 June 2012

LO KOU HONG
Co-chairman
Hong Kong
28 June 2012

ERNST & YOUNG
安 永

To the shareholders of Xinhua News Media 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 37 to 99, which comprise the consolidated and company statements of financial position as at 31 March 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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.

ERNST & YOUNG
安 永

To the shareholders of Xinhua News Media 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 2012, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

22nd Floor
CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong
28 June 2012

	Notes	2012 HK$'000	2011 HK$'000
CONTINUING OPERATIONS			
REVENUE	5	**193,471**	176,989
Other income and gains	5	**1,154**	1,779
Staff costs		**(164,478)**	(148,952)
Depreciation and amortisation		**(16,305)**	(4,057)
Impairment of intangible assets	16	**-**	(12,681)
Other operating expenses		**(48,230)**	(44,336)
Finance costs	7	**(79)**	(20)
Share of profit of an associate		**133**	141
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	6	**(34,334)**	(31,137)
Income tax expense	10	**-**	-
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(34,334)**	(31,137)
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	12	**(79,535)**	(32,268)
LOSS FOR THE YEAR		**(113,869)**	(63,405)
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations and other comprehensive income for the year, net of tax		**3,179**	5,212
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(110,690)**	(58,193)
Loss attributable to:			
Owners of the parent	11	**(90,040)**	(51,809)
Non-controlling interests		**(23,829)**	(11,596)
		(113,869)	(63,405)
Total comprehensive loss attributable to:			
Owners of the parent		**(88,016)**	(48,313)
Non-controlling interests		**(22,674)**	(9,880)
		(110,690)	(58,193)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic and diluted			
- For loss for the year		**(7.96) HK cents**	(6.43) HK cents
- For loss from continuing operations		**(3.04) HK cents**	(3.25) HK cents

	Notes	2012 HK$' 000	2011 HK$' 000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**10,009**	94,323
Goodwill	15	**-**	-
Intangible assets	16	**152,837**	14,217
Investment in an associate	19	**278**	145
Deposits paid for acquisition of plant and equipment		**-**	4,409
Total non-current assets		**163,124**	113,094
CURRENT ASSETS			
Inventories	18	**93**	111
Due from an associate	19	**1,375**	1,320
Trade receivables	20	**29,838**	23,869
Prepayments, deposits and other receivables	20	**10,284**	2,418
Pledged time deposits	21	**4,001**	14,029
Cash and cash equivalents	21	**75,563**	87,290
		121,154	129,037
Assets of a group classified as discontinued operation	12	**35,052**	-
Total current assets		**156,206**	129,037
CURRENT LIABILITIES			
Trade payables	22	**2,240**	2,216
Other payables and accrued liabilities	23	**23,455**	27,253
Finance lease payable	25	**48**	43
Tax payable		**-**	283
		25,743	29,795
Liabilities directly associated with the assets classified as discontinued operation	12	**13,969**	-
Total current liabilities		**39,712**	29,795
NET CURRENT ASSETS		**116,494**	99,242
TOTAL ASSETS LESS CURRENT LIABILITIES		**279,618**	212,336

continued /...

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT LIABILITIES			
Loans from a director	24	**-**	4,800
Finance lease payable	25	**109**	157
Provision for long service payments	26	**1,531**	592
Deferred income	27	**6,841**	7,140
Total non-current liabilities		**8,481**	12,689
Net assets		**271,137**	199,647
EQUITY			
Equity attributable to owners of the parent			
Issued capital	29	**11,669**	9,063
Reserves	31(a)	**263,100**	171,542
		274,769	180,605
Non-controlling interests		**(3,632)**	19,042
Total equity		**271,137**	199,647

JU MENGJUN
Co-chairman

LO KOU HONG
Co-chairman

		Attributable to owners of the parent											
	Notes	Issued capital HK$'000	Share premium account HK$'000	Capital redemption reserve HK$'000	Merger reserve HK$'000	Share option reserve HK$'000	Warrant reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Exchange fluctuation reserve HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
		(note 29)	(note 29)		(note 31(a))	(note 30)		(note 31(a))					
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	29	-	-	-	-	-	2,571	-	-	-	2,571	-	2,571
Issue of shares	29	1,396	75,614	-	-	-	-	-	-	-	77,010	-	77,010
Transfer to share premium account upon exercise of warrants	29	-	1,635	-	-	-	(1,635)	-	-	-	-	-	-
Share issue expenses	29	-	(1,392)	-	-	-	-	-	-	-	(1,392)	-	(1,392)
Equity-settled share option arrangements	30	-	-	-	-	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
At 1 April 2011		**9,063**	**245,147**	**254**	**47,063**	**16,870**	**936**	**26,758**	**(175,227)**	**9,741**	**180,605**	**19,042**	**199,647**
Loss for the year		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(90,040)**	**-**	**(90,040)**	**(23,829)**	**(113,869)**
Other comprehensive income for the year:													
Exchange differences on translation of foreign operations		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,024**	**2,024**	**1,155**	**3,179**
Total comprehensive loss for the year		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(90,040)**	**2,024**	**(88,016)**	**(22,674)**	**(110,690)**
Issue of warrants	**29**	**-**	**-**	**-**	**-**	**-**	**459**	**-**	**-**	**-**	**459**	**-**	**459**
Issue of shares	**29**	**2,606**	**180,810**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**183,416**	**-**	**183,416**
Transfer of warrant reserve upon expiry of warrants	**29**	**-**	**-**	**-**	**-**	**-**	**(630)**	**-**	**630**	**-**	**-**	**-**	**-**
Share issue expenses	**29**	**-**	**(2,138)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,138)**	**-**	**(2,138)**
Equity-settled share option arrangements	**30**	**-**	**-**	**-**	**-**	**443**	**-**	**-**	**-**	**-**	**443**	**-**	**443**
At 31 March 2012		**11,669**	**423,819***	**254***	**47,063***	**17,313***	**765***	**26,758***	**(264,637)***	**11,765***	**274,769**	**(3,632)**	**271,137**

* These reserve accounts comprise the consolidated reserves of HK$263,100,000 (2011: HK$171,542,000) in the consolidated statement of financial position.

	Notes	2012 HK$'000	2011 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax:			
From continuing operations		**(34,334)**	(31,137)
From a discontinued operation	12	**(79,535)**	(31,985)
Adjustments for:			
Finance costs	7	**79**	39
Depreciation	6	**10,825**	9,685
Amortisation of intangible assets	6	**14,505**	1,748
Amortisation of deferred income	5	**(464)**	(176)
Bank interest income		**(174)**	(98)
Loss on property, plant and equipment written off	6	**1**	-
Loss on disposal of items of property, plant and equipment	6	**10**	315
Equity-settled share option expenses	6	**443**	1,212
Impairment of trade receivables	6	**32**	113
Impairment of intangible assets		**-**	12,681
Impairment of property, plant and equipment		**65,918**	11,264
Provision for slow-moving inventories	6	**-**	3,518
Write-off of inventories	6	**-**	1,549
Reversal of impairment of an investment in an associate	5	**-**	(4)
Reversal of impairment of an amount due from an associate	5	**-**	(5)
Share of profit of an associate		**(133)**	(141)
Provision for long service payments	6	**1,413**	131
		(21,414)	(21,291)
Increase in an amount due from an associate		**(55)**	(52)
Decrease/(increase) in trade receivables		**(6,062)**	5,302
Decrease/(increase) in prepayments, deposits and other receivables		**(9,098)**	382
Decrease/(increase) in inventories		**18**	(1,547)
Increase in trade payables		**76**	1,162
Increase in other payables and accrued liabilities		**485**	3,114
Decrease in provision for long service payments		**(474)**	(404)
Cash used in operations		**(36,524)**	(13,334)
Interest paid		**(62)**	(19)
Interest element of a finance lease payable		**(17)**	(20)
Net cash flows used in operating activities		**(36,603)**	(13,373)

continued /...

	Notes	2012 HK$'000	2011 HK$'000
Net cash flows used in operating activities		**(36,603)**	(13,373)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	14, 32	**(13,613)**	(4,666)
Decrease/(increase) in deposits paid for acquisition of property, plant and equipment		**4,409**	(4,324)
Proceeds from disposal of items of property, plant and equipment		**3**	28
Additions to intangible assets	16, 32	**(1,178)**	(6,328)
Interest received		**174**	98
Decrease/(increase) in pledged time deposits		**10,028**	(10,027)
Receipt of government grants		**-**	7,176
Net cash flows used in investing activities		**(177)**	(18,043)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	29	**32,130**	77,010
Proceeds from issue of warrants	29	**459**	2,571
Increase in loans from a director		**4,551**	4,708
Share issue expenses	29	**(2,138)**	(1,392)
Capital element of a finance lease payable		**(43)**	(40)
Net cash flows from financing activities		**34,959**	82,857
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(1,821)**	51,441
Cash and cash equivalents at beginning of year		**87,290**	35,810
Effect of foreign exchange rate changes, net		**602**	39
CASH AND CASH EQUIVALENTS AT END OF YEAR		**86,071**	87,290
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**9,436**	20,273
Non-pledged time deposits with original maturity of less than three months when acquired		**66,127**	67,017
Cash and cash equivalents as stated in the consolidated statement of financial position	21	**75,563**	87,290
Cash and bank balances attributable to a discontinued operation	12	**10,508**	-
Cash and cash equivalents as stated in the consolidated statement of cash flows		**86,071**	87,290

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	17	**108,849**	79,613
Intangible assets	16	**138,679**	-
Total non-current assets		**247,528**	79,613
CURRENT ASSETS			
Due from a subsidiary	17	**800**	-
Prepayments, deposits and other receivables		**1**	9
Cash and cash equivalents	21	**157**	72,709
Total current assets		**958**	72,718
CURRENT LIABILITIES			
Other payables and accrued liabilities	23	**872**	4,378
NET CURRENT ASSETS		**86**	68,340
Net assets		**247,614**	147,953
EQUITY			
Issued capital	29	**11,669**	9,063
Reserves	31(b)	**235,945**	138,890
Total equity		**247,614**	147,953

JU MENGJUN
Co-chairman

LO KOU HONG
Co-chairman

1. CORPORATE INFORMATION

Xinhua News Media Holdings Limited is a limited liability company incorporated in the Cayman Islands. The registered office address 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 2nd Floor, 5 Sharp Street West, Wan Chai, 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 and the provision of television screen broadcast business.

As further detailed in note 12 to the financial statements, the waste treatment services were terminated during the year. Other than this development, there was no significant changes in the natures of the Company's and its subsidiaries' principal activities during the year.

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

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 2012. 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.

Total comprehensive income within a subsidiary is 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.

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 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*
HKAS 24 (Revised)	*Related Party Disclosures*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these HKFRSs are as follows:

(a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group. Details of the related party transactions, including the related comparative information, are included in note 36 to the consolidated financial statements.

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 3 *Business Combinations*: The amendment clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

  In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

  The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (Continued)

- HKAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- HKAS 27 *Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

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 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*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[1]
HKFRS 9	*Financial Instruments*[6]
HKFRS 10	*Consolidated Financial Statements*[4]
HKFRS 11	*Joint Arrangements*[4]
HKFRS 12	*Disclosure of Interests in Other Entities*[4]
HKFRS 13	*Fair Value Measurement*[4]
HKAS 1 Amendments	Amendments to HKAS1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[2]
HKAS 19 (2011)	*Employee Benefits*[4]
HKAS 27 (2011)	*Separate Financial Statements*[4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[4]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[4]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*[4]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[4]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[5]
Annual Improvements Project	*Annual Improvements to HKFSs 2009-2011 Cycle*[4]

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

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 these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

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 that are not classified as held for sale in accordance with HKFRS 5 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 or 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.

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.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's investments in jointly-controlled entities are 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 jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's investments in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of jointly-controlled entities is included as part of the Group's investments in jointly-controlled entities.

The results of jointly-controlled entities are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in jointly-controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

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 an associate 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 is 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 an associate is included as part of the Group's investment in an associate and is not individually tested for impairment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Associate (continued)

The results of an associate are 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 non-current asset and is stated at cost less any impairment losses.

Business combinations and goodwill

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 Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. 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 will be 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 will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS.

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 identifiable net 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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.

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, goodwill and non-current assets/a group classified as discontinued operation), 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 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 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 is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(v) the entity is controlled or jointly controlled by a person identified in (a); and

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

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. When an item of property, plant and equipment is classified as discontinued operation, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and a group classified as discontinued operation". 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 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 depreciates them accordingly.

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%

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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 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 building 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.

Non-current assets and a group classified as discontinued operation

Non-current assets and a group classified as discontinued operation (other than investment properties and financial assets) are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment classified as discontinued operation are not depreciated.

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.

Operating 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 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 transaction cost, except in the case of financial assets recorded at fair value through profit or loss.

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.

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 profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other operating expenses for receivables.

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, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it 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.

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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

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 yet 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 through the use of an allowance account and the amount of the loss is recognised in 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 profit or loss.

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 plus, in the case of loans and borrowings, 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 subsequent measurement of financial liabilities depends on their classification as follows:

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

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 profit or loss when the liabilities are derecognised as well as through the effective interest rate 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 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.

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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

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:

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

- when 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable 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.

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 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 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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Construction contracts (continued)

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.

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 that exactly 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.

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, further details of which are given in note 30 to the financial statements.

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 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.

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

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 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.

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 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 local municipal government. These subsidiaries are required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 arising on settlement or translation of monetary items are taken to 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. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on item whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries and associate 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 statements 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 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:

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

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.

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 described below.

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. Property, plant and equipment and 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. As at 31 March 2012, the aggregate carrying amount of the Group's property, plant and equipment was HK$10,009,000 (2011: HK$94,323,000), net of accumulated impairment loss of HK$77,182,000 (2011: HK$11,264,000) and the aggregate carrying amount of the Group's intangible assets was HK$152,837,000 (2011: HK$14,217,000), net of accumulated impairment loss of HK$12,681,000 (2011: HK$12,681,000).

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. The aggregate carrying amount of the Group's trade and other receivables as at 31 March 2012 was HK$40,122,000 (2011: HK$26,287,000), net of accumulated impairment loss of Nil (2011: HK$435,000).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

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. The aggregate carrying amount of the Group's inventories as at 31 March 2012 was HK$93,000 (2011: HK$111,000).

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.

Depreciation

The Group depreciates the property, plant and equipment on the straight-line basis over the respective estimated useful lives with the depreciation charge commencing from the date an item of the property, plant and equipment is available for use. The estimated useful life reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The net book value of the Group's property, plant and equipment as at 31 March 2012 was HK$10,009,000 (2011: HK$94,323,000).

Amortisation

The Group amortises the intangible assets on the straight-line basis over the respective estimated useful lives with the amortisation provide commencing from the date an item of the intangible assets are available for use. The estimated useful life reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's intangible assets. The net book value of the Group's intangible assets as at 31 March 2012 was HK$152,837,000 (2011: HK$14,217,000).

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 television screen broadcast business segment engages in the provision of services of publicly broadcast information and advertisements on television screens.

The waste treatment business was terminated during the year as detailed in note 12 to the financial statements.

Management monitors the results of the Group's 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 from continuing operations. The adjusted loss before tax from continuing operations are measured consistently with the Group's loss before tax from continuing operations except that interest income, finance costs, impairment losses from the Group's financial instruments 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.

	Continuing operations								**Discontinued operation**			
	Cleaning and related services		**Television screen broadcast business**		**Medical waste treatment**		**Total**		**Waste treatment**		**Total**	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK'000**	2011 HK'000	**2012 HK$'000**	2011 HK$'000
Segment revenue:												
Service income from external customers	**187,356**	166,615	**64**	-	**6,051**	10,374	**193,471**	176,989	**123**	325	**193,594**	177,314
Other income and gains	**280**	267	**103**	-	**623**	176	**1,006**	443	**10**	297	**1,016**	740
Total	**187,636**	166,882	**167**	-	**6,674**	10,550	**194,477**	177,432	**133**	622	**194,610**	178,054
Segment results	**(1,498)**	(2,386)	**(21,742)**	-	**30**	(2,048)	**(23,210)**	(4,434)	**(13,643)**	(20,724)	**(36,853)**	(25,158)
Reconciliation:												
Interest income											**174**	98
Unallocated gains											**133**	1,401
Unallocated expenses											**(11,326)**	(15,479)
Impairment losses recognised in profit or loss in respect of:												
Intangible assets*											**-**	(12,681)
Property, plant and equipment**											**(65,918)**	(11,264)
Finance costs											**(79)**	(39)
Loss before tax											**(113,869)**	(63,122)

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

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

4. OPERATING SEGMENT INFORMATION (continued)

	Continuing operations								Discontinued operation			
	Cleaning and related services		Television screen broadcast business		Medical waste treatment		Total		Waste treatment		Total	
	2012 HK$' 000	2011 HK$' 000	**2012 HK$' 000**	2011 HK$' 000	**2012 HK$' 000**	2011 HK$' 000	**2012 HK$' 000**	2011 HK$' 000	**2012 HK' 000**	2011 HK' 000	**2012 HK$' 000**	2011 HK$' 000
Segment assets	**44,675**	114,718	**220,107**	-	**17,843**	18,854	**282,625**	133,572	**35,052**	107,094	**317,677**	240,666
Reconciliation:												
Investment in an associate											**278**	145
Due from an associate											**1,375**	1,320
Assets related to a discontinued operation											**(35,052)**	-
Total assets											**284,278**	242,131
Segment liabilities	**22,679**	23,934	**3,707**	-	**7,681**	7,778	**34,067**	31,712	**4,618**	5,772	**38,685**	37,484
Reconciliation:												
Finance lease payable											**157**	200
Loans from a director											**9,351**	4,800
Liabilities related to a discontinued operation											**(13,969)**	-
Total liabilities											**34,224**	42,484
Other segment information:												
Capital expenditure	**668**	1,184	**159,002**	-	**1,182**	7,313	**160,852**	8,497	**5,225**	2,737	**166,077**	11,234
Depreciation and amortisation	**595**	613	**13,379**	-	**2,331**	2,091	**16,305**	2,704	**9,025**	8,729	**25,330**	11,433
Impairment losses recognised in profit or loss in respect of:												
Intangible assets	**-**	-	**-**	-	**-**	12,681	**-**	12,681	**-**	-	**-**	12,681
Property, plant and equipment	**-**	-	**-**	-	**-**	-	**-**	-	**65,918**	11,264	**65,918**	11,264
Provision for slow-moving inventories	**-**	-	**-**	-	**-**	-	**-**	-	**-**	3,518	**-**	3,518
Write-off of inventories	**-**	-	**-**	-	**-**	-	**-**	-	**-**	1,549	**-**	1,549
Share of profit of an associate	**133**	141	**-**	-	**-**	-	**133**	141	**-**	-	**133**	141
Impairment losses reversed in profit or loss in respect of:												
Investment in an associate	**-**	4	**-**	-	**-**	-	**-**	4	**-**	-	**-**	4
Due from an associate	**-**	5	**-**	-	**-**	-	**-**	5	**-**	-	**-**	5

Geographical information

(a) Revenue from external customers

	2012 HK$' 000	2011 HK$' 000
Hong Kong	**187,420**	166,615
Mainland China	**6,051**	10,374
	193,471	176,989

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information (continued)

(b) Non-current assets

	2012 HK$'000	2011 HK$'000
Hong Kong	**147,695**	1,881
Mainland China	**15,429**	111,213
	163,124	113,094

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

Information about a major customer

Revenue from continuing operations of approximately HK$63,082,000 (2011: HK$62,293,000) was derived from sales by the cleaning and related services segment to a single customer.

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 from continuing operations is as follows:

	2012 HK$'000	2011 HK$'000
Revenue		
Cleaning and related service fee income	**187,356**	166,615
Television screen broadcast business income	**64**	-
Medical waste treatment income	**6,051**	4,046
Construction revenue	**-**	6,328
	193,471	176,989
Other income and gains		
Bank interest income	**148**	75
Amortisation of deferred income*(note 27)	**464**	176
Management fee received	**160**	160
Reversal of impairment of an amount due from an associate	**-**	5
Reversal of impairment of an investment in an associate	**-**	4
Gain on termination of a contract	**-**	1,251
Sundry income	**382**	108
	1,154	1,779

* 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.

6. LOSS BEFORE TAX

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

	Notes	2012 HK$'000	2011 HK$'000
Cost of inventories sold*			
Discontinued operation		**481**	7,432
Cost of services rendered**			
Continuing operations		**170,610**	151,934
Auditors' remuneration			
Continuing operations		**1,320**	905
Discontinued operation		**110**	195
Minimum lease payments under operating leases in respect of land and buildings			
Continuing operations		**4,477**	981
Depreciation	14		
Continuing operations		**1,800**	2,309
Discontinued operation		**9,025**	7,376
Amortisation of intangible assets	16		
Continuing operations		**14,505**	1,748
Employee benefit expense (including directors' remuneration (note 8)):			
Continuing operations			
Wages, salaries and other benefits		**155,429**	140,702
Equity-settled share option expenses		**443**	1,212
Retirement benefit scheme contributions		**6,580**	6,465
Forfeited contributions		**(26)**	(26)
Net retirement benefit scheme contributions		**6,554**	6,439
Provision for long service payments, net	26	**1,413**	131
Provision for untaken paid leave		**639**	468
Total employee benefit expenses from continuing operations		**164,478**	148,952
Discontinued operation			
Wages, salaries and other benefits		**1,297**	1,592
Retirement benefit scheme contributions		**209**	546
Total employee benefit expenses from a discontinued operation		**1,506**	2,138

6. LOSS BEFORE TAX (continued)

	Notes	2012 HK$'000	2011 HK$'000
Loss on property, plant and equipment written off			
Continuing operations		**1**	-
Loss on disposal of items of property, plant and equipment			
Continuing operations		**10**	315
Construction cost***			
Discontinued operation		**-**	6,328
Provision for slow-moving inventories*			
Discontinued operation		**-**	3,518
Write-off of inventories*			
Discontinued operation		**-**	1,549
Impairment of trade receivables***	20		
Discontinued operation		**32**	113

* The cost of inventories sold for the year ended 31 March 2012 included an amount of depreciation of HK$161,000 (2011: HK$1,324,000). The cost of inventories sold for the year ended 31 March 2011 also included 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 an employee benefit expenses of HK$147,608,000 (2011: HK$134,517,000) incurred in the provision of services which has been included in the employee benefit expenses above.

*** The construction cost and impairment of trade receivables are included in "Loss for the year from a discontinued operation" in the consolidated statement of comprehensive income.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2012 HK$'000	2011 HK$'000
Interest on a bank overdraft	**62**	-
Interest on loans from a director	**-**	19
Interest on a finance lease	**17**	20
	79	39
Attributable to:		
Continuing operations	**79**	20
Discontinued operation (note 12)	**-**	19
	79	39

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	
	2012	2011
	HK$'000	HK$'000
Fees	**442**	360
Other emoluments:		
Salaries and allowances	**5,317**	5,353
Equity-settled share option expenses	**276**	860
Retirement benefit scheme contributions	**366**	442
	5,959	6,655
	6,401	7,015

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 30 to the financial statements. The fair value of such options, which has been recognised in 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.

(a) Independent non-executive directors

	Fees HK$'000	**Retirement benefit scheme contributions HK$'000**	**Total remuneration HK$'000**
2012			
Mr. Chiu Wai Piu	91	4	95
Mr. Cheng Kai Tai, Allen	111	4	115
Mr. Wang Qi	140	7	147
Mr. Xu Zhijuan	50	-	50
Mr. Tang Binfeng	50	-	50
	442	15	457
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

There were no other emoluments payable to the independent non-executive directors during the year (2011: Nil).

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
2012				
Executive directors:				
Dr. Lo Kou Hong	1,449	87	102	1,638
Ms. Ko Lok Ping, Maria Genoveffa	564	87	50	701
Mr. Leung Tai Tsan, Charles	1,383	51	127	1,561
Mr. Cheung Pui Keung, James	682	51	60	793
Mr. Chang Loong Cheong	50	-	6	56
Mr. Meng Jin	200	-	-	200
Mr. Shi Guoxiong	50	-	-	50
Mr. Zhou Guanghe	50	-	-	50
Mr. Cheung Ming	839	-	6	845
	5,267	276	351	5,894
Non-executive director:				
Mr. Xu Rong	50	-	-	50
	5,317	276	351	5,944
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

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2011: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2011: one) non-director, highest paid employee for the year are as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Salaries and allowances	**1,084**	786
Retirement benefit scheme contributions	**37**	18
	1,121	804

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

	Number of employees	
	2012	2011
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 his services to the Group, further details of which are set out in note 30 to the financial statements. The fair value of such options, which has been recognised in 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	
	2012	2011
	HK$'000	HK$'000
Tax charge from continuing operations for the year	**-**	-
Tax charge from a discontinued operation for the year (note 12)	**-**	283
	-	283

Pursuant to the PRC Corporate Income Tax Law, 10% withholding tax rate is levied on the Group's non-PRC resident entity in respect of the interest income received from a 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 (2011: 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 (2011: Nil).

10. INCOME TAX (continued)

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

	Group					
	Hong Kong		Mainland China		Total	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Profit/(loss) before tax from continuing operations	**(34,531)**	(16,629)	**197**	(14,508)	**(34,334)**	(31,137)
Tax at the statutory tax rate	**(5,698)**	(2,744)	**49**	(3,627)	**(5,649)**	(6,371)
Income not subject to tax	**(111)**	(330)	**(6)**	(2)	**(117)**	(332)
Expenses not deductible for tax	**3,461**	2,005	**97**	3,524	**3,558**	5,529
Tax losses utilised from previous years	**-**	-	**(284)**	(178)	**(284)**	(178)
Tax losses not recognised	**2,348**	1,069	**144**	283	**2,492**	1,352
Tax at the Group's effective rate	**-**	-	**-**	-	**-**	-

The Group has tax losses arising in Hong Kong of HK$44,996,000 (2011: HK$24,519,000) 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 in the opinion of the directors, 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$3,975,000 (2011: HK$4,327,000) and HK$41,143,000 (2011: HK$28,305,000) for continuing operations and a discontinued operation, respectively, 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 2012 includes a loss of HK$17,519,000 (2011: HK$78,612,000) which has been dealt with in the financial statements of the Company (note 31(b)).

12. DISCONTINUED OPERATION

On 11 January 2012, the Company announced that the Group had entered into Agreement with the Shuyang Municipal Government to terminate the investment agreement relating to the waste treatment business, namely, the operation of Shuyang ITAD Environmental Technology Limited ("Shuyang ITAD") municipal waste treatment plant located in Shuyang County, Jiangsu Province, the People's Republic of China on 9 January 2012. As at 31 March 2012, the waste treatment business was classified as a discontinued operation.

The results of the waste treatment business for the year are presented below:

	2012 **HK$'000**	2011 HK$'000
Revenue	**123**	325
Cost of sales of fertilisers	**(481)**	(7,432)
Other income and gains	**36**	319
Impairment of property, plant and equipment (note 14)	**(65,918)**	(11,264)
Expenses	**(13,295)**	(13,914)
Finance costs (note 7)	**-**	(19)
Loss before tax from the discontinued operation	**(79,535)**	(31,985)
Income tax (note 10)	**-**	(283)
Loss for the year from the discontinued operation	**(79,535)**	(32,268)

The major classes of assets and liabilities of the waste treatment business classified as discontinued operation as at 31 March are as follows:

	2012 **HK$'000**	2011 HK$'000
Assets		
Property, plant and equipment (note 14)	**23,251**	-
Trade receivables	**61**	-
Prepayments, deposits and other receivables	**1,232**	-
Pledged time deposit	**10,049**	-
Cash and cash equivalents	**459**	-
Assets classified as discontinued operation	**35,052**	-
Liabilities		
Trade payables	**(52)**	-
Other payables and accruals	**(4,283)**	-
Tax payable	**(283)**	-
Loans from a director (note 24)	**(9,351)**	-
Liabilities directly associated with the assets classified as discontinued operation	**(13,969)**	-
Net assets directly associated with the discontinued operation	**21,083**	-

12. DISCONTINUED OPERATION (continued)

The net cash flows incurred by waste treatment business are as follows:

	2012 HK$'000	2011 HK$'000
Operating activities	**(3,968)**	205
Investing activities	**(838)**	(16,311)
Financing activities	**4,552**	4,800
Net cash outflow	**(254)**	(11,306)
Loss per share:		
Basic, from the discontinued operation	**(4.92) HK cents**	(3.17) HK cents

The calculations of the basic loss per share from the discontinued operation are based on:

	2012	2011
Loss attributable to ordinary equity holders of the parent from the discontinued operation	**HK$55,677,000**	HK$25,584,000
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation (note 13)	**1,131,086,264**	806,138,274

13. 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 1,131,086,264 (2011: 806,138,274) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 March 2012 and 2011 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 calculations of the basic loss per share are based on:

	2012 HK$'000	2011 HK$'000
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation:		
From continuing operations	**(34,363)**	(26,225)
From a discontinued operation	**(55,677)**	(25,584)

	Number of shares	
	2012	2011
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**1,131,086,264**	806,138,274

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Tools and machinery HK$'000	Total HK$'000
31 March 2012						
At 31 March 2011 and at 1 April 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
At 1 April 2011, net of accumulated depreciation and impairment	40,593	-	1,745	2,423	49,562	94,323
Additions	2,919	4,509	1,158	-	5,027	13,613
Disposals	-	-	(13)	-	-	(13)
Depreciation provided during the year	(2,408)	(575)	(670)	(578)	(6,594)	(10,825)
Write-off	-	-	(1)	-	-	(1)
Impairment (note 12)	(20,065)	-	-	-	(45,853)	(65,918)
Assets included in a discontinued operation (note 12)	(22,097)	-	(244)	(174)	(736)	(23,251)
Exchange realignment	1,058	-	17	42	964	2,081
At 31 March 2012, net of accumulated depreciation and impairment	-	3,934	1,992	1,713	2,370	10,009
At 31 March 2012:						
Cost	-	5,526	5,248	4,640	6,422	21,836
Accumulated depreciation and impairment	-	(1,592)	(3,256)	(2,927)	(4,052)	(11,827)
Net carrying amount	-	3,934	1,992	1,713	2,370	10,009

14. 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 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

At 31 March 2012 and 2011, 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 2012 and 2011, and that the building ownership certificates can be obtained in the near future.

On 11 January 2012, the Group terminated its waste treatment business as detailed in note 12. The directors considered that the existence of the above conditions indicated that non-current assets of the Group might be impaired. In view of this, the directors estimated the recoverable amount by comparing the higher of the carrying amount and the fair value less costs to sell based on the valuation report prepared by an independent professional valuer. The directors concluded that it was appropriate to recognise impairment losses of HK$65,918,000 against the buildings and tools and machinery as at 31 March 2012.

During the year ended 31 March 2011, the waste treatment business incurred a loss of HK$20,724,000. The directors considered that the existence of the above condition indicated that non-current assets of the Group might be impaired. In view of this, the directors estimated the recoverable amount of the cash-generation unit by comparing the higher of the fair value less costs to sell and the value in use of the cash-generating unit based on the valuation report prepared by an independent professional valuer. The cash-generating unit consisted of the Group's waste treatment business, which comprised buildings and tools and machinery.

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The estimates of the recoverable amount of the cash-generating unit as at 31 March 2011 were determined based on a value in use calculation using cash flow projections based on the five-year financial forecast approved by the directors. Cash flows beyond the five-year period had been extrapolated through to the end of the fiscal year in 2025 to cover the remaining useful lives of related non-current assets.

Key assumption used for the value in use calculation as at 31 March 2011:

Sale volume growth rate:	3%
Gross profit margin rate:	5% - 48%
Discount rate:	19%

The directors determined the above sales volume growth rate and gross profit margin rate based on the expectation of future market development. The directors concluded that it was appropriate to recognise an impairment losses of HK$11,264,000 against the buildings and tools and machinery as at 31 March 2011.

15. GOODWILL

Group

	HK$'000
At 31 March 2011, 1 April 2011 and 31 March 2012:	
Cost	39,185
Accumulated impairment	(39,185)
Net carrying amount	-

Goodwill acquired through business combinations in related to medical waste treatment cash-generating unit. 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.

16. INTANGIBLE ASSETS

Group

	HK$'000
Cost at 1 April 2011, net of accumulated amortisation and impairment	14,217
Additions	152,464
Amortisation during the year (note 6)	(14,505)
Exchange realignment	661
At 31 March 2012	152,837
At 31 March 2012:	
Cost	185,281
Accumulated amortisation and impairment	(32,444)
Net carrying amount	152,837
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

16. INTANGIBLE ASSETS (continued)

Company

	HK$'000
Cost at 1 April 2011, net of accumulated amortisation and impairment	-
Addition	151,286
Amortisation during the year	(12,607)
At 31 March 2012	138,679
At 31 March 2012:	
Cost	151,286
Accumulated amortisation and impairment	(12,607)
Net carrying amount	138,679

Impairment testing of intangible assets

During the year ended 31 March 2011, the medical waste treatment business incurred a loss of HK$2,048,000. The directors considered that the existence of the above condition indicated that the intangible assets of the Group might be impaired. In view of this, the directors estimated the recoverable amount of the cash-generating units by comparing the higher of the fair value less costs to sell and the value in use of the cash-generating unit base on the discount cashflow prepared by the management.

The estimates of the recoverable amount of the cash-generating unit as at 31 March 2011 were determined based on a value in use calculation using cash flow projections based on the five-year financial forecast approved by the directors. Cash flows beyond the five-year period had been extrapolated through to the end of the fiscal year in 2027 to cover the remaining useful lives of related non-current assets.

Key assumptions used for the value in use calculation:

Sale growth rate: 3%
Discount rate: 15%

The directors determined the above sales volume growth rate and gross profit margin rate based on the expectation of future market development. The directors concluded that it was appropriate to recognise an impairment loss of HK$12,681,000 as at 31 March 2011. No additional impairment provision was recognised during the year ended 31 March 2012.

17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2012	2011
	HK$'000	HK$'000
Unlisted shares/investments, at cost	**59,521**	59,521
Due from subsidiaries	**263,134**	233,098
	322,655	292,619
Impairment #	**(213,006)**	(213,006)
	109,649	79,613

An impairment was recognised for certain unlisted investments and amounts due from subsidiaries with a carrying amount of HK$224,721,000 (before deducting the impairment loss) (2011: HK$289,765,000) because of the deteriorating operating results of certain subsidiaries.

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

	2012	2011
	HK$'000	HK$'000
At beginning of the year	**213,006**	143,707
Impairment losses recognised	**-**	69,299
At end of the year	**213,006**	213,006

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment except for HK$800,000, which is repayable within the next twelve months. The carrying amounts of the amounts due from subsidiaries approximate to their fair values.

17. 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
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*^	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.

18. INVENTORIES

	Group 2012 HK$'000	2011 HK$'000
Finished goods	**93**	111

19. INVESTMENT IN AN ASSOCIATE

	Group 2012 HK$'000	2011 HK$'000
Unlisted shares, at cost	**4**	4
Share of net assets	**274**	141
	278	145
Due from an associate	**1,375**	1,320
Impairment	**-**	-
	1,375	1,320

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

	Group 2012 HK$'000	2011 HK$'000
At beginning of the year	**-**	5
Reversal of impairment during the year	**-**	(5)
At end of the year	**-**	-

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 2012. 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

19. INVESTMENT IN AN ASSOCIATE (continued)

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

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

	2012 **HK$'000**	2011 HK$'000
Assets	**2,696**	2,345
Liabilities	**2,000**	1,982
Revenue	**2,121**	1,934
Profit	**333**	358

20. TRADE RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2012 **HK$'000**	2011 HK$'000
Trade receivables	**29,838**	24,304
Impairment	**-**	(435)
	29,838	23,869

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. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. 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	
	2012 **HK$'000**	2011 HK$'000
Within 30 days	**15,507**	13,700
31 to 60 days	**9,038**	5,992
61 to 90 days	**4,393**	3,798
91 to 120 days	**359**	133
Over 120 days	**541**	246
	29,838	23,869

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

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

	Group	
	2012	2011
	HK$' 000	HK$' 000
At beginning of the year	**435**	320
Impairment losses recognised (note 6)	**32**	113
Included in a discontinued operation	**(467)**	-
Exchange realignment	**-**	2
At end of the year	**-**	435

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

	Group	
	2012	2011
	HK$' 000	HK$' 000
Neither past due nor impaired	**15,507**	13,700
Less than 1 month past due	**9,038**	5,992
1 to 3 months past due	**4,752**	3,931
Over 3 months past due	**541**	246
	29,838	23,869

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.

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.

21. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**9,436**	20,273	**103**	5,712
Time deposits	**70,128**	81,046	**54**	66,997
	79,564	101,319	**157**	72,709
Less: Pledged short-term time deposits for banking facilities	**(4,001)**	(14,029)	**-**	-
Cash and cash equivalents	**75,563**	87,290	**157**	72,709

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$1,116,416 (2011: HK$2,700,194). 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.

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$4,001,000 (2011: HK$14,029,000); and

(ii) a corporate guarantee to the extent of Nil (2011: HK$18,000,000) provided by the Company.

22. 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	
	2012	2011
	HK$'000	HK$'000
Within 30 days	**2,155**	2,014
31 to 60 days	**-**	11
61 to 90 days	**85**	191
	2,240	2,216

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

23. 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.

24. LOANS FROM A DIRECTOR

The loans of HK$3,600,000 and HK$1,200,000 were unsecured, interest-bearing at 1% per annum and repayable on 14 October 2015 and 30 November 2015, respectively. As at 31 March 2012, the balance of HK$9,351,000 (note 12) is included in a discontinued operation.

25. 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 three years.

At 31 March 2012, the total future minimum lease payments under finance leases and their present values were as follows:

Group

	Minimum lease payments		**Present value of minimum lease payments**	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Amounts payable:				
Within one year	**60**	60	**48**	43
In the second year	**60**	60	**52**	48
In the third to fifth years, inclusive	**60**	120	**57**	109
Total minimum finance lease payments	**180**	240	**157**	200
Future finance charges	**(23)**	(40)		
Total net finance lease payables	**157**	200		
Portion classified as current liabilities	**(48)**	(43)		
Non-current portion	**109**	157		

26. PROVISION FOR LONG SERVICE PAYMENTS

	Group	
	2012	2011
	HK$'000	HK$'000
At beginning of the year	**592**	865
Provision for long service payments, net (note 6)	**1,413**	131
Amounts utilised during the year	**(474)**	(404)
At end of the year	**1,531**	592

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.

27. DEFERRED INCOME

	Group	
	2012	2011
	HK$'000	HK$'000
Cost at 1 April, net of accumulated amortisation	**7,140**	-
Additions	**-**	7,179
Amortisation during the year (note 5)	**(464)**	(176)
Exchange realignment	**165**	137
At 31 March	**6,841**	7,140
At 31 March:		
Cost	**7,488**	7,320
Accumulated amortisation	**(647)**	(180)
Net carrying amount	**6,841**	7,140

The deferred income represents unamortised government grants received from the 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.

28. CONVERTIBLE NOTES

On 16 December 2008, the Company issued zero-coupon convertible notes with a nominal value of HK$65,000,000 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$32,500,000 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.

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.

On 1 January 2012, the convertible notes matured and were redeemed at HK$1.

29. SHARE CAPITAL

Shares

	2012 **HK$'000**	2011 HK$'000
Authorised:		
2,000,000,000 (2011: 2,000,000,000) ordinary shares of HK$0.01 each	**20,000**	20,000
Issued and fully paid:		
1,166,899,040 (2011: 906,318,000) ordinary shares of HK$0.01 each	**11,669**	9,063

29. 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 HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Total HK$'000
At 31 March 2010 and 1 April 2010		766,718,000	7,667	169,290	15,658	192,615
Placement of new shares		30,600,000	306	21,114	-	21,420
Warrants exercised		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
New shares issued for acquisition	(a), 32	214,681,040	2,147	149,139	-	151,286
Placement of new shares	(b)	45,900,000	459	31,671	-	32,130
		260,581,040	2,606	180,810	-	183,416
Share issue expenses		-	-	(2,138)	-	(2,138)
Equity-settled share option arrangements		-	-	-	443	443
At 31 March 2012		1,166,899,040	11,669	423,819	17,313	452,801

Notes:

(a) During the year, 214,681,040 shares of HK$0.01 each were issued at a price of HK$0.70 per share as the consideration for the Group's acquisition of the free right pursuant to the Company's circular dated 11 March 2011.

(b) On 11 April 2011, the Company and the placing agent entered into a third share placing agreement pursuant to which the Company has 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, a total of 45,900,000 shares of HK$0.01 each were issued for cash at a subscription price of HK$0.70 per share pursuant to the third placing agreement for a total cash consideration, before related expenses, of HK$32,130,000.

29. 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 30 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 ended 31 March 2011, 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 ended 31 March 2011, 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 ended 31 March 2011, 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. The remaining of 42,000,000 shares of HK$0.015 each expired during the year and the related warrant reserve of HK$630,000 was transferred to accumulated losses.

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.

During the year, 45,900,000 warrants of HK$0.01 each were issued pursuant to the third warrant placing agreement for a total cash consideration, before related expenses, of HK$459,000.

30. 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$5,000,000, 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.

30. SHARE OPTION SCHEME (continued)

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

	2012 Weighted average exercise price HK$ per share	2012 Number of options '000	2011 Weighted average exercise price HK$ per share	2011 Number of options '000
At beginning of the year	**0.82**	**36,500**	0.85	38,700
Forfeited during the year	**1.41**	**(40)**	1.41	(2,200)
Expired during the year	**1.41**	**(17,460)**	0.275	-
At end of the year	**0.275**	**19,000**	0.82	36,500

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

2012

Number of options '000	**Exercise price* HK$ per share**	**Exercise period**
19,000	**0.275**	**22/4/05 - 21/4/15**

2011

Number of options '000	Exercise price* HK$ per share	Exercise period
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		

* 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.

30. SHARE OPTION SCHEME (continued)

The Group recognised a share option expense of HK$443,000 (2011: HK$1,212,000) during the year ended 31 March 2012 for the share options granted in prior years and amortised during the year.

At the end of the reporting period, the Company had 19,000,000 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 19,000,000 additional ordinary shares of the Company and additional share capital of HK$190,000 and share premium of HK$5,035,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 19,000,000 share options outstanding under the Share Option Scheme, which represented approximately 1.63% of the Company's shares in issue as at that date.

31. 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.

31. 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 2010	169,290	254	65,000	15,658	-	59,511	(170,216)	139,497
Issue of shares (note 29)	75,614	-	-	-	-	-	-	75,614
Issue of warrants (note 29)	-	-	-	-	2,571	-	-	2,571
Total comprehensive loss for the year	-	-	-	-	-	-	(78,612)	(78,612)
Transfer to share premium account upon exercise of warrants (note 29)	1,635	-	-	-	(1,635)	-	-	-
Share issue expenses (note 29)	(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
Issue of shares (note 29)	180,810	-	-	-	-	-	-	180,810
Issue of warrants (note 29)	-	-	-	-	459	-	-	459
Total comprehensive loss for the year	-	-	-	-	-	-	(17,519)	(17,519)
Release upon maturity of convertible bonds	-	-	(65,000)	-	-	-	-	(65,000)
Release of warrants	-	-	-	-	(630)	-	630	-
Share issue expenses (note 29)	(2,138)	-	-	-	-	-	-	(2,138)
Equity-settled share option arrangements	-	-	-	443	-	-	-	443
At 31 March 2012	423,819	254	-	17,313	765	59,511	(265,717)	235,945

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.

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

(i) 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 Nil (2011: HK$240,000).

(ii) During the year, the Group acquired a free right for developing the television screen broadcast business at a consideration of HK$151,286,000 settled by allotment and issuance of 214,681,040 ordinary shares to an independent third party.

33. 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 (2011: HK$1,157,000) 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$2,912,000 as at 31 March 2012 (2011: HK$1,016,000), 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$1,531,000 (2011: HK$592,000) in respect of such payments has been made in the consolidated statement of financial position as at 31 March 2012.

(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 2011 and 2012.

34. 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 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Within one year	**1,941**	675
In the second to fifth years, inclusive	**220**	505
	2,161	1,180

35. COMMITMENTS

In addition to the operating lease commitments detailed in note 34 above, the Group had the following capital expenditure commitments at the end of the reporting period:

	Group	
	2012	2011
	HK$'000	HK$'000
Contracted, but not provided for:		
Property, plant and equipment	**2,997**	2,799
Free right	**-**	100,000
	2,997	102,799

36. 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. Certain related companies are owned by a discretionary trust of which the beneficiaries include the family members of Dr. Lo Kou Hong and certain related companies owned by Xinhua News Agency Asia-Pacific Regional Bureau.

	Notes	**2012 HK$'000**	2011 HK$'000
Management fee income from a related company	(i)	**60**	60
Interest income from an associate	(ii)	**55**	52
Secondment fee income from a related company	(iii)	**173**	-
Interest expenses on loans from a director	(iv)	**-**	19
Rental expenses to related companies	(v)	**3,317**	-
Management fee to related companies	(vi)	**538**	-

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 secondment fee income was received from a related company on a mutually agreed basis.

(iv) The loans from a director are charged at an interest rate of 1% per annum (2011: 1%) on the outstanding loans due from a director of HK$4,910,000 (2011: HK$4,800,000). During the year ended 31 March 2012, the director waived the interest expenses of HK$49,000.

(v) The rental was paid to related companies on a mutually agreed basis.

(vi) The building management fee was paid to related companies on a mutually agreed basis.

(b) Outstanding balance 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 19 and 24 to the financial statements, respectively.

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

	2012 HK$'000	2011 HK$'000
Short-term employee benefits	**5,267**	5,303
Post-employment benefits	**351**	420
Equity-settled share option expenses	**276**	860
Total compensation paid to key management personnel	**5,894**	6,583

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), (a)(iii), (a)(iv), (a)(v) and (a)(vi) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

37. 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	
Loans and receivables	**2012 HK$' 000**	2011 HK$' 000
Due from an associate	**1,375**	1,320
Trade receivables	**29,838**	23,869
Financial assets included in prepayments, deposits and other receivables	**7,875**	967
Pledged time deposits	**4,001**	14,029
Cash and cash equivalents	**75,563**	87,290

Financial liabilities

	Group	
Financial liabilities at amortised cost	**2012 HK$' 000**	2011 HK$' 000
Trade payables	**2,240**	2,216
Financial liabilities included in other payables and accrued liabilities	**7,689**	24,111
Finance lease payable	**157**	200
Loans from a director	**-**	4,800

Financial assets

	Company	
Loans and receivables	**2012 HK$' 000**	2011 HK$' 000
Due from subsidiaries	**106,680**	76,861
Cash and cash equivalents	**157**	72,709

Financial liabilities

	Company	
Financial liabilities at amortised cost	**2012 HK$' 000**	2011 HK$' 000
Financial liabilities included in other payables and accrued liabilities	**872**	4,378

38. 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 33% and 66% 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 20 to the financial statements.

38. 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 operations.

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

			2012		
	On demand HK$'000	**Less than 3 months HK$'000**	**3 to less than 12 months HK$'000**	**1 to 5 years HK$'000**	**Total HK$'000**
Trade payables	**-**	**2,240**	**-**	**-**	**2,240**
Financial liabilities included in accrued liabilities and other payables	**7,689**	**-**	**-**	**-**	**7,689**
Finance lease payable	**-**	**15**	**45**	**120**	**180**
	7,689	**2,255**	**45**	**120**	**10,109**

			2011		
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total 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

Company

	2012 On demand HK$'000
Financial liabilities included in other payables and accrued liabilities	**872**

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

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 2012 and 2011.

The Group monitors capital using a current ratio, which is current assets excludes the discontinued operation 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

	2012 **HK$'000**	2011 HK$'000
Current assets	**121,154**	129,037
Current liabilities	**(25,743)**	(29,795)
Net current assets	**95,411**	99,242
Current ratio	**4.7**	4.3

39. COMPARATIVE AMOUNTS

The comparative income statement has been re-presented as if the operation discontinued during the current year, as detailed in note 12 to the financial statements, had been discontinued at the beginning of the comparative period. Certain comparative amounts in note 4 under the heading "Operating Segment Information" has been reclassified to conform with the current year's presentation. In the opinion of the Company's directors, such reclassification provided a more appropriate presentation on the Group's operating segments.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 June 2012.

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 and restated/reclassified as appropriate, is set out below.

RESULTS

	Year ended 31 March				
	2012 HK$' 000	2011 HK$' 000	2010 HK$' 000	2009 HK$' 000	2008 HK$' 000
CONTINUING OPERATIONS					
REVENUE	**193,471**	176,989	176,543	192,761	206,935
LOSS BEFORE TAX	**(34,334)**	(31,137)	(9,388)	(32,224)	(55,520)
Tax	**-**	-	-	-	-
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	**(34,334)**	(31,137)	(9,388)	(32,224)	(55,520)
DISCONTINUED OPERATION					
LOSS FOR THE YEAR FROM A DISCONTINUED OPERATION	**(79,535)**	(32,268)	(13,499)	(5,713)	(2,265)
LOSS FOR THE YEAR	**(113,869)**	(63,405)	(22,887)	(37,937)	(57,785)
ATTRIBUTABLE TO:					
EQUITY HOLDERS OF THE PARENT	**(90,040)**	(51,809)	(17,976)	(34,289)	(53,380)
NON-CONTROLLING INTERESTS	**(23,829)**	(11,596)	(4,911)	(3,648)	(4,405)
	(113,869)	(63,405)	(22,887)	(37,937)	(57,785)
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**319,330**	242,131	204,385	220,087	219,618
TOTAL LIABILITIES	**(48,193)**	(42,484)	(25,946)	(24,465)	(72,730)
NON-CONTROLLING INTERESTS	**3,632**	(19,042)	(28,922)	(33,414)	3,068
	274,769	180,605	149,517	162,208	149,956