

CHINA RAILSMEDIA CORPORATION LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 745)



ANNUAL REPORT 2013



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Corporate Information

DIRECTORS

Executive Directors

Mr. Hui Chi Yung (*Chairman*)

Ms. Yih Chuen Yung, Grace

(appointed on 30 November 2012)

Mr. Hui Kau Mo

(resigned on 28 November 2012)

Independent Non-executive Directors

Mr. Liu Kwong Sang

Mr. Sit Hing Wah

Dr. Hu Chung Kuen, David

AUDIT COMMITTEE

Mr. Liu Kwong Sang

Mr. Sit Hing Wah

Dr. Hu Chung Kuen, David

COMPANY SECRETARY

Mr. Sin Kwok Wai, Ronald

AUDITORS

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

REGISTERED OFFICE

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

17th Floor, Regent Centre,

88 Queen's Road Central,

Central, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited

4th Floor, Royal Bank House

24 Shedden Road, George Town

Grand Cayman KY1-1110

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

26th Floor, Tesbury Centre

28 Queen's Road East

Hong Kong

ORDINARY SHARE LISTING

Main Board of The Stock Exchange of

Hong Kong Limited

(Stock code: 745)

Chairman's Statements

Dear Shareholders,

On behalf of the Board of Directors (the "Board" or the "Directors") of China Railsmedia Corporation Limited (the "Company"), I present the annual results of the Company and its subsidiaries (collectively refer to the "Group") for the year ended 31 March 2013.

CURRENT YEAR REVIEW

The core business of the Group is the new media business based in Hong Kong. Consistent with our strategy adopted in recent years, the building construction, renovation, fitting out works in Hong Kong and in the Peoples' Republic of China (the "PRC") had been scaled down.

Management has decided to focus more on business in the new media market and we noticed that the traditional communication channel and its related advertising businesses are shrinking due to the competition and thrust from the new innovative communication technology and media applied in the modern day advertising business. With the change in the preference and shift of usage by users, new media business in advertising has provided efficiency and convenience for users, and is of course a brand new sector of business in the market.

PROSPECT

It is our Group strategy to focus on new media market in Hong Kong and we expect the contribution from media sector will keep on going.

With the growth of mobile devices usage in Hong Kong, food and beverage ("F&B") industry is facing a new challenge for promoting their services to end-customers via mobile platform. Besides that, we keep updating and switching our business model to cope with the ever-changing market situations.

The Group expects to see unprecedented opportunities in the new media market. To respond and capture the market opportunities effectively, the Group will closely analyse the macroeconomic trends and policy changes, identify the critical risks and challenges, and monitor its development and execution of business strategies. By Uniting concerted effort of staff, optimizing management efficiency, strengthening internal control and leveraging on our capital strength, The Group is confident to take a further leap in the industry.

We are optimistic and confident that the above strategy will bring along with fruitful results in future.

Chairman's Statements

APPRECIATION

I would like to take this opportunity to express my gratitude to our shareholders, business partners, directors and our dedicated staff for their continued support and confidence in the Group.

Hui Chi Yung

Chairman

Hong Kong, 27 June 2013

Management Discussion and Analysis

BUSINESS REVIEW

For the year ended 31 March 2013, the Group recorded a turnover of approximately HK\$6,677,000, compared with the corresponding turnover of approximately HK\$28,754,000 in 2012. We incurred a gross profit of approximately HK\$811,000 while there was a gross profit of approximately HK\$262,000 in 2012. The gross profit in the current year was mainly due to the increasing revenue from advertising segment.

Our loss attributable to shareholders amounted to approximately HK\$89,881,000 (2012: approximately HK\$41,150,000). This is mainly due to the impairment loss in respect of goodwill and the impairment loss of available-for-sale financial asset. The management of the Group recognised an impairment loss in respect to goodwill of approximately HK\$92,651,000 arising from the advertising segment (2012: approximately HK\$13,329,000). Nevertheless, there was a one-off special gain of approximately HK\$25,930,000 on the disposals of subsidiaries (2012: approximately HK\$1,592,000) and there was a one-off gain of approximately HK\$29,041,000 on early extinguishment of promissory notes for the year ended 31 March 2013 (2012: HK\$Nil).

Turnover from our building and construction segment was HK\$Nil (2012: approximately HK\$3,060,000).

The renovation, repairs and maintenance segment reported a turnover of HK\$Nil (2012: approximately HK\$24,399,000).

For advertising segment, turnover amounted to approximately HK\$6,677,000 (2012: approximately HK\$1,295,000). Profit start generating from this business segment, we have decided to adopt a more competitive business strategy and to enrich our market exposure in Hong Kong by mobile apps.

Though there is increasing turnover generated from the advertising segment, comparing with our business plan, the growth rate of paid subscribers was below our expectation, the main reasons were (i) the approval time by Apple iOS platform for the Dining Apps was significantly increased during the year due to Apple's technical scrutiny; the extended approval time has hindered the customer growth for the Dining Apps on iOS platform; (ii) the rising operating costs of the F&B industry in Hong Kong which has a negative impact on restaurants' advertising budgets generally.

The Group had launched a new Buffet App in May 2013 and has over 148 hotels as subscribers as in mid 2013. As a further step to expand the advertising business, we are keen to explore the niche market of new advertising media with huge potential; and management has decided to have greater business development and market share in advertising and media business through investment and acquisition of those potentially healthy advertising business.

On 31 March 2012, we acquired 100% of the entire issued share capital of Huge Leader Development Limited at the total consideration of HK\$690,000,000. From this acquisition, we have full operation of FingerAd Media Company Limited ("FingerAd"), which is the wholly owned subsidiary of Huge Leader Development Limited. This has broadened the media channels for our advertising business into mobile platform and digital media networks of flat panel screens in retail chain network; therefore, it will increase the choices of platforms available for our advertising customers. And such an Acquisition is considered as a major thrust to expand our existing advertising business with the explosion on the smartphone market, the mobile App is regarded as the new channel for retailers to promote their offers as well as company image over the Internet.

We consider that the mobile platform and the digital media network will create a new dimension of opportunities for generating substantial amount of recurrent revenue with manageable operating cost.

Management Discussion and Analysis

FINANCIAL REVIEW

Liquidity and financing

There were no bank borrowings as at 31 March 2013 and 2012. The Group's cash and bank deposits were approximately HK\$2.5 million (2012: HK\$11.6 million).

The Group's gearing ratio, calculated by aggregate of amounts due to related parties and, loans from shareholders over total assets, increase to 36.52% at 31 March 2013 from 32.93% at 31 March 2012.

Treasury policies

Cash and bank deposits of the Group are mainly in Hong Kong dollars or Renminbi. The Group conducts its core business transaction mainly in Hong Kong dollars and Renminbi such that the Group did not use any derivative instruments to hedge its foreign currency exposure as the Group considered its foreign currency exposure is insignificant.

Pledge of assets

As at 31 March 2013 and 2012, no asset was being pledged since there is no external financing for the Group.

Employee information

On 31 March 2013, the Group had 17 (2012: 32) full time employees, whom are employed in Hong Kong and Mainland China. They are remunerated at market level with benefits such as medical, retirement benefit and share option scheme.

Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 21 to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2013 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 22 to 99.

The directors do not recommend the payment of a dividend (2012: Nil).

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 100 of the annual report. 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 17 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 32 and 33 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the Companies Law (2004 Revision) of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to the existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 March 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 35 to the financial statements and in the consolidated statement of changes in equity, respectively.

Report of the Directors

DISTRIBUTABLE RESERVES

At 31 March 2013, the Company had no reserves available for distribution under the provisions of the Companies Law (2004 Revision) of the Cayman Islands (2012: HK\$nil).

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's 5 largest customers accounted for 41.76% (2012: 75.67%) of the total sales for the year and sales to the largest customer included therein amounted to 14.02% (2012: 45.97%). The aggregate purchases during the year attributable to the Group's 5 largest suppliers accounted for 30.82% (2012: 22.59%) of the Group's total purchases for the year and purchase from the largest supplier included therein amounted to 11.56% (2012: 9.08%).

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 5 largest customers or the Group's 5 largest suppliers.

DIRECTORS

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

EXECUTIVE DIRECTORS:

Mr. Hui Chi Yung (*Chairman*)

Ms. Yip Chuen Yung, Grace (appointed on 30 November 2012)

Mr. Hui Kau Mo (resigned on 28 November 2012)

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Dr. Hu Chung Kuen, David

Mr. Liu Kwong Sang

Mr. Sit Hing Wah

In accordance with articles 86(3), 87(1) and (2) of the Company's articles of association and the provisions of the Listing Rules, Mr. Sit Hing Wah and Dr. Hu Chung Kuen, David will retire by rotation and being eligible, will offer themselves for re-election at the forthcoming Annual General Meeting.

In accordance with articles 86(3) of the Company's articles of association and the provisions of the Listing Rules, Ms. Yip Chuen Yung, Grace would hold office only until the forthcoming Annual General Meeting and, be eligible, offer herself for a re-election.

Dr. Hu Chung Kuen, David, Mr. Liu Kwong Sang and Mr. Sit Hing Wah are independent non-executive directors and were appointed for a period one year commencing from 1 September 2012.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on page 18 of the annual report.

Report of the Directors

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years. Each of the executive Directors is entitled to the respective basic salaries and pension scheme and discretionary bonus as the board of Directors may in its absolute discretion determine having regard to the performance of the executive Director and the operating results of the Group in respect of any financial year of the Company. An executive Director may not vote on any resolution of the Directors regarding the amount of the bonus payable to him. Furthermore, the executive Directors are entitled to all reasonable medical expenses as provided under the Group's medical benefits scheme. In addition, the executive Directors may, at the sole and absolute discretion of the board of Directors, be eligible to participate in any share option scheme from time to time adopted by the Company in accordance with the terms and conditions of such share option scheme.

The independent non-executive Directors have been appointed for a term of 1 year commencing from 1 September 2012. The Company intends to pay a director's fee of HK\$20,000 per annum to each of the independent non-executive Directors. Save for the director's fee, none of the independent non-executive Director is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Apart from the foregoing, no director 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' INTERESTS IN CONTRACTS

Save as disclosed in note 41 to the financial statements, no director had a material beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 March 2013, the interests and short positions of the directors in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of

Report of the Directors

the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long position in Shares, underlying shares and debentures of the Company or its associated corporations:

Name of Director	Company/name of associated corporation	Capacity	Name and class of securities/approximate shareholding percentage <i>(Note 1)</i>
Mr. Hui Chi Yung	Company	Settlor/Founder of The Wing Hong Trust <i>(Note 2)</i>	743,918,560 Shares/ 23.81% (L)
	Rich Place Investment Limited	Settlor/Founder of The Wing Hong Trust <i>(Note 3)</i>	1 ordinary share/ 100% (L)
	Wise Win Enterprises Limited	Settlor/Founder of The Wing Hong Trust <i>(Note 4)</i>	1 ordinary share/ 100% (L)
Ms. Yih Chuen Yung, Grace	Company	Settlor/Founder of The Wing Hong Trust <i>(Note 2)</i>	743,918,560 Shares/ 23.81% (L)
	Rich Place Investment Limited	Settlor/Founder of The Wing Hong Trust <i>(Note 3)</i>	1 ordinary share/ 100% (L)
	Wise Win Enterprises Limited	Settlor/Founder of The Wing Hong Trust <i>(Note 4)</i>	1 ordinary share/ 100% (L)

Notes:

1. The letter "L" denotes the Director's long position in such securities.
2. These shares are held by Rich Place Investment Limited ("Rich Place") which is wholly owned by RBTT Trust Cooperation ("RBTT"), and Wise Win Enterprises Limited, a wholly owned subsidiary of Rich Place. RBTT is the trustee of The Wing Hong Trust, a discretionary trust whose beneficiaries are the family members of Mr. Hui Kau Mo.
3. The share is held by RBTT. RBTT is the trustee of The Wing Hong Trust, a discretionary trust whose beneficiaries are the family members of Mr. Hui Kau Mo.
4. The share is held by Rich Place.

Save as disclosed above, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Report of the Directors

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the share option scheme of the Company, at no time during the year were there any 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

Particulars of the share option scheme of the Company are disclosed in note 34 to the financial statements. Since adoption of the share option scheme, no share option has been granted.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2013, the interests and short positions of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests in the shares and underlying shares of the Company, as required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:

Long position in shares, underlying shares and debentures of the Company or its associated corporations:

Name	Capacity	Class and number of securities/approximate shareholding percentage (Note 1)
The Wing Hong Trust	Beneficial owner (Note 2)	743,918,560 Shares/23.81% (L)
Huge Leader Holdings Limited	Substantial shareholder (Note 3)	6,152,200,000 Shares/196.94% (L)

Notes:

1. The letter "L" denotes the long position in such securities.
2. These shares are held by Rich Place and Wise Win Enterprises Limited, a wholly owned subsidiary of Rich Place. The entire issued share capital of Rich Place is held by RBTT, acting in its capacity as the trustee of The Wing Hong Trust, a discretionary trust whose beneficiaries are the family members of Mr. Hui Kau Mo.
3. The interest in underlying share of equity represent 5,740,000,000 convertible preference share of Huge Leader Holdings Limited while there is 412,200,000 ordinary shares hold by Huge Leader Holdings Limited.

Save as disclosed above, no person, other than certain directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Report of the Directors

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

ANNUAL CONFIRMATION OF INDEPENDENCE

The Company has received annual confirmation from each of the independent non-executive directors as regards their independence to the Company and considers that each of the independent non-executive directors is independent to the Company.

AUDITORS

The financial statements for the years ended 31 March 2012 and 2011 were audited by HLB Hodgson Impey Cheng. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganised as HLB Hodgson Impey Cheung Limited. An ordinary resolution for the appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company has been passed at annual general meeting held on 24 August 2012.

The financial statements for the year ended 31 March 2013 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting. A resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

On Behalf of the Board

Hui Chi Yung

Chairman

Hong Kong, 27 June 2013

Corporate Governance Report

The Company has complied with all the code provisions in the Code on Corporate Governance Practices Note (“CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the year ended 31 March 2013 except for the following deviations:

CG Code Provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The Company does not have a separate Chairman and Chief Executive Officer and Mr. Hui Chi Yung currently holds both positions. The Board believes that vesting the roles of Chairman and Chief Executive Officer in the same person provides the Group with strong and consistent leadership in the development and execution of long-term business strategies.

THE BOARD OF DIRECTORS

The overall management of the Company’s business is vested in the Board of Directors (the “Board”), which assumes the responsibility for leadership and control of the Company and is collectively responsible for promotion the success of the Company by directing and supervising its affairs. All directors should take decisions objectively in the interests of the Company.

The Board takes the responsibility for all major matters of the Company including: the approval and monitoring of all policy matters, overall strategies, internal control and risk management systems, appointment and retirement of directors and other significant financial and operational matters.

The executive directors are responsible for overseeing the day-to-day management of the Company’s operations and implementation of the strategies set by the Board.

The composition of the Board ensures a balance of skills and experience appropriate to the requirements of the business of the Company and to the exercising of independent judgement. The Board currently comprises five directors, including two executive directors and three independent non-executive directors. The names and biographical details of each director are disclosed on page 18 of this Annual Report. Ms. Yip Chuen Yung, Grace is the spouse of Mr. Hui Chi Yung. They are both interest in 743,918,560 shares as disclosed on page 10 of this annual report. Except as disclosed, there is no other relationship (including financial, business, family or other material relationship) among the members of the Board.

During the Year, the Board at all times met the requirements of the Listing Rules in relation to the appointment of at least 3 independent non-executive directors with at least 1 independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company confirms that it has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers the independent non-executive directors are independent.

Each of the independent non-executive directors is appointed for a term of one year expiring on 1 September 2012 and they are also subject to retirement by rotation in accordance with the Company’s Articles of Association. Regular Board meetings are held for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

Corporate Governance Report

During the Year, seven Board meetings were held and the attendance of individual directors was as follows:

Name of directors	Attendance
Mr. Hui Chi Yung (<i>Chairman</i>)	7/7
Ms. Yip Chuen Yung, Grace (appointed on 30 November 2012)	3/7
Mr. Hui Kau Mo (resigned on 28 November 2012)	3/7
Dr. Hu Chung Kuen, David	7/7
Mr. Liu Kwong Sang	7/7
Mr. Sit Hing Wah	2/7

The Chairman is responsible for providing leadership for the Board and ensuring that the Board works effectively and that all key and appropriate issues are discussed by the Board on a timely manner, formulating the investment strategies, monitoring the investment performance and approving investment decisions.

BOARD COMMITTEES

In order to strengthen the functions of the Board and to oversee particular aspects of the Company's affairs, three committees have been established, namely, the Remuneration Committee, the Audit Committee and the Nomination Committee. These committees are established with defined written terms of reference.

REMUNERATION COMMITTEE

The Board has established a Remuneration Committee comprising one executive director and three independent non-executive directors, namely, Mr Hui Chi Yung, Mr Liu Kwong Sang, Mr Sit Hing Wah and Dr Hu Chung Kuen, David. Mr Liu Kwong Sang is the chairman of the Remuneration Committee. The primary objective for setting up the Remuneration Committee is to comply with the Code Provision as set out in the CG Code. Its responsibilities are to review and consider the Company's policy for remuneration of directors and senior management, to recommend to the Board the remuneration packages of executive directors, non-executive director and the senior management.

The Remuneration Committee held one meeting during the Year. Details of individual attendance of its members are set out below:

Name of directors	Attendance
Mr. Hui Chi Yung	1/1
Dr. Hu Chung Kuen, David	1/1
Mr. Liu Kwong Sang	1/1
Mr. Sit Hing Wah	0/1

During the year, the remuneration committee had reviewed and considered, inter alia, the remuneration policy of the Company and the remuneration of the directors and senior management.

AUDIT COMMITTEE

The Audit Committee comprised three independent non-executive directors. Mr. Liu Kwong Sang is the Chairman of the Audit Committee. The primary duties of the Audit Committee are: to independent review and supervise the financial reporting process and internal control systems, to ensure good communications among Directors and the Company's auditors, to recommend the appointment of external auditors on an annual basis and approval of the audit fees, to assist the Board in oversight of the independence, qualifications, performance and compensation of the independent accountant, to review interim and annual results announcements as well as the financial statements prior to their approval by the Board, to provide advice on audit report, accounting policies and comments to all Directors.

Corporate Governance Report

The Audit Committee held two meetings during the Year. Details of individual attendance of its members are set out below:

Name of directors	Attendance
Dr. Hu Chung Kuen, David	2/2
Mr. Liu Kwong Sang	2/2
Mr. Sit Hing Wah	1/2

During the year, the audit committee had reviewed and considered, inter alia, the annual results for the year ended 31 March 2013 and the interim results for the six months ended 30 September 2012.

NOMINATION COMMITTEE

The Company has established the Nomination Committee and adopted written terms of reference in April 2012, and currently consists of four members, including Mr. Hui Chi Yung (Chairman), Mr. Liu Kwong Sang, Dr. Hu Chung Kuen, David and Mr. Sit Hing Wah, a majority of whom are independent non-executive Directors.

The principal duties of the Nomination Committee include, among other things, (i) to review the structure, size and composition of the board at least annually; (ii) to make recommendations to the Board on the appointment and re-appointment of directors of the Company; and (iii) to assess the independence of independent non-executive Directors of the Company.

During the year, one meeting of Nomination Committee was held with attendance of individual member is as follows:

Name of directors:	Attendance
Mr. Hui Chi Yung	1/1
Dr. Hu Chung Kuen, David	1/1
Mr. Liu Kwong Sang	1/1
Mr. Sit Hing Wah	1/1

NOMINATION OF DIRECTORS

The Nomination Committee is responsible for the formulation of nomination policies, making recommendations to shareholders on directors standing for re-election, providing sufficient biographical details of directors to enable shareholders to make an informed decision and the re-election, and where necessary, nominating appropriate persons to fill casual vacancies or as additions to the Board. The Nomination Committee from time to time reviews the composition of the Board with particular regard to ensuring that there is an appropriate number of directors on the Board independent of management. He also identified and nominates qualified individuals for appointment as new directors of the Company.

New directors of the Company will be appointed by the Board. The Nomination Committee will take into consideration criteria such as expertise, experience, integrity and commitment when considering new director appointments.

DIRECTORS' TRAINING

As part of an ongoing process of directors' training, the directors are updated with the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time to ensure compliance of the same by all directors. All directors are encouraged to attend external forum or training courses on relevant topics which may count towards continuous professional development training.

Corporate Governance Report

Pursuant of code provision A.6.5 of CG Code and Report, which has come into effect from 1 April 2012, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Up to the date of this report, all directors have participated in appropriate continuous professional development activities by attending training course on the topics related to corporate governance and regulations or by reading materials relevant to the Company's business or to their duties and responsibilities.

As part of the continuous professional development programs, directors participated in the various briefings and visits to local management and Company's facilities, as arranged and funded by the Company with appropriate emphasis on the roles, functions and duties of the directors. This is in addition to directors' attendance at meetings and review of papers and circulars sent by management. The participation by individual directors and the company secretary in the program during the year was recorded in the table below:

	Reading Regulator update	Visit/Interview key management
EXECUTIVE DIRECTORS		
Mr. Hui Chi Yung	✓	✓
Ms. Yih Chuen Yung, Grace	✓	✓
INDEPENDENT NON-EXECUTIVE DIRECTORS		
Dr. Hu Chung Kuen, David	✓	✓
Mr. Liu Kwong Sang	✓	✓
Mr. Sit Hing Wah	✓	✓

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. All directors have confirmed, following specific enquiry by the Company, that they have fully complied with the Model Code throughout the Year.

Note: The code on Corporate Governance Practices has been amended by the Stock Exchange and now known as Corporate Governance Code with effect from 1 April 2012.

AUDITORS' REMUNERATION

The Audit Committee reviews each year with the external auditors of the Company with regards their independence, approves their appointment, discusses the scope of their audit, approves their fees, and the scope and appropriate fees for any non-audit services requested to be provided by them. During the year, the fees paid to the Company's auditors in respect of audit services amounted to HK\$580,000.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditors' Report" on pages 19 to 21.

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

Corporate Governance Report

DIRECTOR'S RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirement. The directors acknowledge their responsibility for preparing the financial statements of the Company for each financial year which gives a true and fair view of the state of the Company.

The financial statements of the Group for the year ended 31 March 2013 have been prepared on a going concern basis, the validity of which is dependent upon the outcome of the arbitration and the recoverability of the other receivable as stated in Note 25 to the financial statements and the successful outcome of the Group's measures to satisfy its working capital needs and improve the liquidity position. For additional details of these fundamental uncertainties relating to the going concern, please refer to Independent Auditors' Report on pages 19 to 21 and Note 3 to financial statements.

INTERNAL CONTROL

The Board has overall responsibility for the establishment, maintenance and review of the Company's internal control system. The Company has established an internal control system and the Board will conduct review on the effectiveness of the system at least annually and report the result of the review to the shareholders.

Specifically, our Group was involved in litigations. To minimise the impact from litigations or to prevent litigations from being happened, the Group has adopted measures including:

- (i) Conduct thorough reviews on subcontractor qualification by our project management team prior to engage them and after engaged, to closely their actual performance and to conduct regular site visit so as to monitor the quality of their works in order to reduce misunderstanding.
- (ii) Engage lawyer at an early stage when major disputes arose in order to assess whether we should come to settlement without going to litigation and in order to assess whether there are legally valid grounds on claiming our customers or being claimed by sub-contractors.

COMPANY SECRETARY

Mr. Sin Kwok Wai, Ronald, has been appointed as Company Secretary of the Company since December 2010. He has taken no less than 15 hours of relevant professional trainings to update his skills and knowledge during the year ended 31 March 2013.

SHAREHOLDER'S RIGHTS

The right and procedures to convene a general meeting and to demand a poll on resolutions at general meetings by shareholders of the company are set out in the Company's amended and restated Bye-Laws headed "General Meetings", "Notice of General Meetings", "Proceedings At General Meetings" and "Voting". Shareholders may at any time send their enquiries to the Board by addressing them to the Company Secretary by post at the principal of the Company.

COMMUNICATION WITH SHAREHOLDERS

The Company has a shareholders communication policy to set out the Company's procedures in providing shareholders and investors in respect of the information about the Company.

The Company uses various communication methods to ensure its Shareholders are kept well informed. These include publication of annual report, various notices, announcements and circulars. The shareholders' meeting also provides a useful channel for shareholders to communicate directly with the Board at which the directors are available to answer questions relating to the Company's affairs. The right to demand voting by poll is communicated to the shareholders by way of circulars. Resolutions are proposed at each shareholder's meeting on each substantially separate issue, include the election of individual directors.

Biographical Details of Directors and Senior Management

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Hui Chi Yung, aged 49, is an executive Director of the Group. Mr. Hui is the Chairman and CEO of the Company and he joined the Group in July 1993. He is responsible for formulating and implementation of the business strategy of the Group's operations and finding business opportunities. Prior to joining the Group, Mr. Hui engaged in the engineering field and was responsible for managing the construction of a condominium and a 3-storey apartment site situated in Canada. Mr. Hui holds a bachelor degree of Applied Science in Electrical Engineering obtained from the University of British Columbia, Canada in 1993. Mr Hui is the spouse of Ms. Yih Chuen Yung, Grace.

Ms. Yih Chuen Yung, Grace, aged 48, was appointed as an executive director of the Company with effect from 30 November 2012. Ms. Yih graduated in 1991 with a Bachelor Degree in Applied Science from University of British Columbia, Vancouver, British Columbia, Canada and had worked in a Hong Kong Public Utility company as an engineer for several years before joining the Company. Prior to her appointment as an executive director, Ms Yih was the Business Development Manager of the Company and she had years of experiences in business management and investments. Ms Yih is the spouse of Mr. Hui Chi Yung.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Hu Chung Kuen, David, aged 59, is an independent non-executive Director of the Group. He was appointed as an independent non-executive Director in September 2002. Dr. Hu graduated with honours from the University of Minnesota, US with Bachelor degree in Science in 1975 and obtained M.D. degree from the School of Medicine, Washington University, U.S. in 1979. He completed his Internal Medicine residency at Vancouver General Hospital, Canada in 1982 and Cardiology Fellowship at Mayo Graduate School of Medicine, U.S. in 1985. Since then, Dr. Hu has been practiced as a Clinical Assistant Professor at the University of British Columbia and has completed a clinical fellowship in international Cardiology at Beth Israel Deaconess Medical Center, Harvard Medical School, U.S., Dr Hu returned to Hong Kong and commenced private practice. Dr. Hu not only has fellowships of Hong Kong College of Physicians, Hong Kong Academy of Medicine, the Royal College of Physicians of Canada and American College of Cardiology but in addition he has Memberships in the Royal College of Surgeons of England, the Hong Kong College of Cardiology, and Canadian Cardiovascular Society.

Mr. Liu Kwong Sang, aged 51, has been practicing as a certified public accountant in Hong Kong with more than 24 years of experience in accounting profession. Mr. Liu graduated from the Hong Kong Polytechnic University with a bachelor degree in Accountancy (with honours) and obtained the Master degree in Business Administration from the University of Lincoln, the United Kingdom. He is an associate member of the Institute of Chartered Accountants in England and Wales, a fellow member of the Association of Chartered Certified Accountants, a fellow member of the Institute of Financial Accountants, the United Kingdom and a fellow member of the National Institute of Accountants, Australia. Mr. Liu is also a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Taxation Institute of Hong Kong, a fellow member of the Society of Registered Financial Planners. Mr Liu acts as independent non-executive directors of Polytec Asset Holdings Limited and of Ruyan Group (Holdings) Limited, securities of both are listed on the main board of the Stock Exchange, and of abc Multiactive Ltd whose securities are listed on the GEM board of the Stock Exchange, and of Pacific CMA, Inc. whose securities were previously listed on the American Stock Exchange.

Mr. Sit Hing Wah, aged 90, is an independent non-executive Director. He was appointed as an independent non-executive Director in September 2002. Mr. Sit founded The Federation of Hong Kong Travellers Ltd. in the 70s with other professionals in the tourism industry and is currently its Honorary Chairman. Furthermore, Mr Sit has also set up the Hong Kong Health Care Association On Aging in 2001 and is not its chairman.

SENIOR MANAGEMENT

Mr. Sin Kwok Wai, Ronald, aged 56, is the Finance Manager and Company Secretary of the Group since December 2010. Being the Head of Finance Department, he is responsible for overseeing the accounting and financial management of the Group companies. In addition to his finance and company secretarial functions, Mr. Sin also supervises the Group HR and administration. Mr. Sin holds a master degree in business administration, is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the CPA Australia. Prior to joining the Company, Mr. Sin has served companies in different industries including a UK Listed company in Hong Kong and possessed over 20 years in accounting and corporate restructuring experiences.

Independent Auditors' Report



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

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

TO THE SHAREHOLDERS OF CHINA RAILSMEDIA CORPORATION LIMITED

(incorporated in the Cayman Islands with limited liability)

We were engaged to audit the consolidated financial statements of China Railsmedia Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as set out on pages 22 to 99, which comprise the consolidated and the Company statements of financial position as at 31 March 2013, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except for the inability to obtain sufficient appropriate audit evidence as explained below, 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 as to whether the consolidated financial statements are free from material misstatement. Because of the matters described in the basis for disclaimer of opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Independent Auditors' Report

BASIS FOR DISCLAIMER OF OPINION

Material uncertainty and inability to obtain sufficient appropriate audit evidence relating to recoverability of other receivable and arbitration

As described in Note 25 to the consolidated financial statements, the Group commenced arbitration against a subcontractor (the "Case") to recover the other receivables of the Group in the amount of approximately HK\$10,400,000 (the "Receivable"). The Case is in respect of costs incurred on behalf of the subcontractor arising from execution of a civil engineering works contract in Hong Kong. Although the directors of the Company, after consultation with their legal advisors, are of the view that the Group has valid grounds to recover the Receivable, the outcome of such arbitration cannot be determined as at the date of approval of these consolidated financial statements.

As a result of the uncertainty of the timing and the outcome of the Case, we are unable to ascertain as to how much and when the Receivable would be recoverable or whether the full amount might be recoverable. There were no other practical satisfactory audit procedures that we could adopt to assess the carrying value of the Receivable. Any adjustments to the carrying value of the Receivable that might have been necessary should evidence become available to us may have a consequential significant effect on the net assets of the Company and the Group as at 31 March 2013 and the loss of the Group for the year then ended.

Scope limitation – Goodwill

As disclosed in Notes 18 and 19 to the consolidated financial statements, an impairment review of the Group's cash-generating unit of advertising at mobile devices and retail chain network (the "Cash-Generating Unit") has been performed by the directors of the Company (the "Impairment Review"). As a result of the review, an impairment loss on goodwill of approximately HK\$92,651,000 has been recognised in the consolidated financial statements. We were unable to obtain sufficient appropriate audit evidence to carry out the audit procedures required by Hong Kong Standard on Auditing 500 "Audit Evidence" ("HKSA 500") issued by the Hong Kong Institute of Certified Public Accountants, to satisfy ourselves the appropriateness of the Impairment Review as audit evidence for the relevant assertions, which include (i) the relevance and reasonableness of the conclusions; (ii) the relevance and reasonableness of assumptions used in the Impairment Review; and (iii) the relevance, completeness and accuracy of source data used in the Impairment Review. Accordingly, we have not been able to determine whether the recognition of impairment loss on goodwill of approximately HK\$92,651,000 in the consolidated financial statements is appropriate or adequate; whether the carrying amounts of the assets of the Cash-Generating Unit, including the remaining goodwill of approximately HK\$570,507,000 and the property, plant and equipment of approximately HK\$114,000 as at 31 March 2013 were fairly stated; and whether the carrying amount of amounts due from subsidiaries of approximately HK\$423,524,000 as at 31 March 2013 is fairly stated.

Material uncertainties relating to the going concern basis of the Group

In forming our opinion we have considered the adequacy of the disclosures made in Note 3 to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. As explained in Note 3 to the consolidated financial statements, the directors are currently undertaking measures to satisfy its working capital needs and improve the liquidity position of the Group.

The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the outcome of the Case and the recoverability of the Receivable and the successful outcome of the Group's measures to satisfy its working capital needs and improve the liquidity position. The consolidated financial statements do not include any adjustments that would result from the Group failure to recover the Receivable as stated above and a failure as to the successful outcome of the measures undertaken by the Group on satisfying its working capital needs and improving the liquidity position of the Group. If the Receivable was not to be recovered or there was a failure as to the successful outcome of the aforementioned measures on the working capital and liquidity position of the Group, adjustments would have to be made to the consolidated financial statements to reduce the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. We are uncertain whether the consolidated financial statements of the Group should be prepared under the going concern basis due to the matters as mentioned in preceding paragraph.

Independent Auditors' Report

DISCLAIMER OF OPINION

Because of the significance of the matters described in the basis for disclaimer of opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2013 and of the loss and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Report on matters under sections 141(4) and 141(6) of the Hong Kong Companies Ordinance

In respect alone of the inability to obtain sufficient appropriate audit evidence relating to matters as described in the basis for disclaimer of opinion paragraphs:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether proper books of account had been kept.

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Hon Koon Fai, Alex

Practising Certificate Number: P05029

Hong Kong, 27 June 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2013

	Notes	2013 HK\$'000	2012 HK\$'000
Turnover	8	6,677	28,754
Cost of sales		(5,866)	(28,492)
Gross profit		811	262
Other revenue	8	751	6,389
Other income	9	29,041	31
Administrative expenses		(10,551)	(16,755)
Gain on disposals of subsidiaries	37	25,930	1,592
Impairment loss in respect of goodwill	18	(92,651)	(13,329)
Impairment loss in respect of available-for-sale financial assets		(26,375)	–
Impairment loss in respect of accounts receivable	24	–	(92)
Impairment loss in respect of other receivables	25	–	(22,200)
Impairment loss in respect of interest in a jointly controlled entity	22	–	(2)
Loss from operating activities	9	(73,044)	(44,104)
Finance costs	10	(17,793)	(1,046)
Loss before taxation		(90,837)	(45,150)
Taxation	13	(78)	(329)
Loss for the year		(90,915)	(45,479)
Other comprehensive (loss)/income for the year, net of income tax			
Exchange differences on translating foreign operations		373	2,117
Reclassification adjustments relating to foreign operations disposed of during the year		(2,465)	–
Other comprehensive (loss)/income for the year, net of income tax		(2,092)	2,117
Total comprehensive loss for the year, net of tax		(93,007)	(43,362)
Loss attributable to:			
– Owners of the Company		(89,881)	(41,150)
– Non-controlling interests		(1,034)	(4,329)
		(90,915)	(45,479)
Total comprehensive loss attributable to:			
– Owners of the Company		(91,981)	(39,994)
– Non-controlling interests		(1,026)	(3,368)
		(93,007)	(43,362)
Loss per share			
– Basic and diluted	16	(HK1.01 cents)	(HK2.32 cents)

All of the Group's operations are classified as continuing.

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

Consolidated Statement of Financial Position

At 31 March 2013

	Notes	2013 HK\$'000	2012 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	577	2,269
Goodwill	18	570,507	663,158
Available-for-sale financial assets	20	165	26,540
		571,249	691,967
Current assets			
Accounts receivable	24	2,028	3,107
Prepayments, deposits and other receivables	25	10,908	18,408
Cash and cash equivalents	26	2,501	11,614
		15,437	33,129
Total assets		586,686	725,096
EQUITY			
Capital and reserves			
Share capital			
– Ordinary share capital	32	31,238	18,638
– Non-voting convertible preference shares	33	401,800	490,000
Reserves	35(a)	(74,456)	(59,925)
Equity attributable to owners of the Company		358,582	448,713
Non-controlling interests		–	19,882
Total equity		358,582	468,595

Consolidated Statement of Financial Position

At 31 March 2013

	Notes	2013 HK\$'000	2012 HK\$'000
LIABILITIES			
Non-current liabilities			
Loans from shareholders	29	40,722	41,240
Promissory notes	30	173,158	188,830
		213,880	230,070
Current liabilities			
Accounts payable	27	2,007	4,850
Other payables and accruals	28	11,817	18,185
Loans from shareholders	29	400	3,280
Tax payable		–	116
		14,224	26,431
Total liabilities		228,104	256,501
Total equity and liabilities		586,686	725,096
Net current assets		1,213	6,698
Total assets less current liabilities		572,462	698,665

The consolidated financial statements on pages 22 to 99 were approved and authorised for issue by the Board of Directors on 27 June 2013 and are signed on its behalf by:

Hui Chi Yung
Director

Yih Chuen Yung, Grace
Director

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

Consolidated Statement of Changes in Equity

For the year ended 31 March 2013

	Attributable to owners of the Company									
	Ordinary share capital	Share premium	Non-voting convertible preference shares	Capital reserve	Exchange translation reserve	Other reserve	Accumulated losses	Total	Non-controlling interest	Total equity
	HK\$'000 (Note (32))	HK\$'000	HK\$'000 (Note (33))	HK\$'000 (Note (a))	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2011	15,538	113,038	-	9,800	3,936	-	(164,243)	(21,931)	26,082	4,151
Loss for the year	-	-	-	-	-	-	(41,150)	(41,150)	(4,329)	(45,479)
Other comprehensive income for the year:										
Exchange difference on translating foreign operations	-	-	-	-	1,156	-	-	1,156	961	2,117
Total comprehensive loss for the year	-	-	-	-	1,156	-	(41,150)	(39,994)	(3,368)	(43,362)
Placing of new shares	3,100	21,080	-	-	-	-	-	24,180	-	24,180
Transaction costs attributable to issue of shares	-	(630)	-	-	-	-	-	(630)	-	(630)
Disposal of a subsidiary (note 37)	-	-	-	-	(2,912)	-	-	(2,912)	(2,832)	(5,744)
Issue of convertible preference shares upon acquisition of subsidiaries (note 36)	-	-	490,000	-	-	-	-	490,000	-	490,000
At 31 March 2012 and 1 April 2012	18,638	133,488	490,000	9,800	2,180	-	(205,393)	448,713	19,882	468,595
Loss for the year	-	-	-	-	-	-	(89,881)	(89,881)	(1,034)	(90,915)
Other comprehensive income for the year:										
Exchange difference on translating foreign operations	-	-	-	-	365	-	-	365	8	373
Reclassification adjustments relating to foreign operations disposed of during the year	-	-	-	-	(2,465)	-	-	(2,465)	-	(2,465)
Total comprehensive loss for the year	-	-	-	-	(2,100)	-	(89,881)	(91,981)	(1,026)	(93,007)
Issue of shares upon conversion of convertible preference shares	12,600	75,600	(88,200)	-	-	-	-	-	-	-
Shareholders' contribution in form of waiver of shareholder's loan	-	-	-	-	-	1,850	-	1,850	-	1,850
Disposal of subsidiaries (note 37)	-	-	-	-	-	-	-	-	(18,856)	(18,856)
At 31 March 2013	31,238	209,088	401,800	9,800	80	1,850	(295,274)	358,582	-	358,582
Reserves retained by:										
Company and subsidiaries	31,238	209,088	401,800	9,800	80	1,850	(295,147)	358,709	-	358,709
Jointly-controlled entity	-	-	-	-	-	-	167	167	-	167
Associated company	-	-	-	-	-	-	(294)	(294)	-	(294)
At 31 March 2013	31,238	209,088	401,800	9,800	80	1,850	(295,274)	358,582	-	358,582
Company and subsidiaries	18,638	133,488	490,000	9,800	2,180	-	(205,266)	448,840	19,882	468,722
Jointly-controlled entity	-	-	-	-	-	-	167	167	-	167
Associated company	-	-	-	-	-	-	(294)	(294)	-	(294)
At 31 March 2012	18,638	133,488	490,000	9,800	2,180	-	(205,393)	448,713	19,882	468,595

Note:

- (a) The capital reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group Reorganisation in 2004, over the nominal value of the Company's shares issued in exchange therefor.

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

Consolidated Statement of Cash Flows

For the year ended 31 March 2013

	Notes	2013 HK\$'000	2012 HK\$'000
Cash flows from operating activities			
Loss before taxation		(90,837)	(45,150)
Adjustments for:			
Finance costs		17,793	1,046
Interest income		–	(12)
Depreciation		816	270
Exchange difference		823	1,656
Loss/(gain) on disposal of property, plant and equipment		4	(31)
Impairment loss in respect of available-for-sale financial assets		26,375	–
Impairment loss in respect of goodwill		92,651	13,329
Impairment loss in respect of accounts receivable		–	92
Impairment loss in respect of other receivables		–	22,200
Impairment loss in respect of interest in a jointly controlled entity		–	2
Gain on early extinguishment of promissory notes		(29,041)	–
Gain on disposals of subsidiaries		(25,930)	(1,592)
Operating cash flows before movements in working capital		(7,346)	(8,190)
Decrease/(increase) in accounts receivable		521	(3,015)
Decrease in amounts due from customers for contract work		–	9,566
Decrease/(increase) in prepayments, deposits and other receivables		5,849	(8,255)
Decrease in accounts payable		(2,656)	(4,163)
Increase/(decrease) in other payables and accruals		4,935	(4,065)
Increase in amounts due to customers for contract work		–	1,537
Decrease in amount due to a jointly controlled entity		–	(3)
Cash generated from/(used in) operations		1,303	(16,588)
Interest received		–	12
Hong Kong profits tax paid		(147)	(88)
Net cash generated from/(used in) operating activities		1,156	(16,664)

Consolidated Statement of Cash Flows

For the year ended 31 March 2013

	Notes	2013 HK\$'000	2012 HK\$'000
Cash flows from investing activities			
Purchase of property, plant and equipment		(39)	(350)
Proceeds from disposal of property, plant and equipment		–	42
Net cash outflow on purchase of available-for-sale financial assets		–	(13,000)
Net cash inflows on acquisition of subsidiaries	36	–	1,178
Net cash inflow/(outflows) on disposals of subsidiaries	37	69	(4,949)
Net cash generated from/(used in) investing activities		30	(17,079)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		–	24,180
Transaction costs attributable to issue of shares		–	(630)
Repayment of loans from shareholders		(10,299)	(4,909)
Net cash generated (used in)/from financing activities		(10,299)	18,641
Net decrease in cash and cash equivalents		(9,113)	(15,102)
Cash and cash equivalents at the beginning of the year		11,614	26,716
Cash and cash equivalents at the end of the year		2,501	11,614
Analysis of balances of cash and cash equivalents			
Cash and bank balances		2,501	11,614

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

Statement of Financial Position

At 31 March 2013

	Notes	2013 HK\$'000	2012 HK\$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	21	423,524	503,930
Current assets			
Prepayments, deposits and other receivables	25	267	169
Cash and cash equivalents		714	3,779
		981	3,948
Total assets		424,505	507,878
EQUITY			
Capital and reserves			
Share capital			
– Ordinary share capital	32	31,238	18,638
– Non-voting convertible preference shares	33	401,800	490,000
Reserves	35(b)	(79,550)	(74,895)
Total equity		353,488	433,743
LIABILITIES			
Non-current liability			
Loans from shareholders	29	37,010	39,240
Current liabilities			
Other payables and accruals	28	668	2,951
Loans from shareholders	29	–	780
Amounts due to subsidiaries	21	33,339	31,164
		34,007	34,895
Total liabilities		71,017	74,135
Total equity and liabilities		424,505	507,878
Net current liabilities		(33,026)	(30,947)
Total assets less current liabilities		390,498	472,983

The financial statements on pages 22 to 99 were approved and authorised for issue by the Board of Directors on 27 June 2013 and are signed on its behalf by:

Hui Chi Yung
Director

Yih Chuen Yung, Grace
Director

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 27 August 2002 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is located at 17th Floor, Regent Centre, 88 Queen's Road Central, Central, Hong Kong.

The Group was principally involved in building constructions, renovation and related services, and provide the advertising media services.

In the opinion of directors, the Company's ultimate holding company is Rich Place Investment Limited ("Rich Place"), which is incorporated in the British Virgin Islands (the "BVI") with limited liability.

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

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

New and revised HKFRSs issued but not yet effective

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

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

¹ Effective for annual periods beginning on or after 1 July 2012

² Effective for annual periods beginning on or after 1 January 2013

³ Effective for annual periods beginning on or after 1 January 2014

⁴ Effective for annual periods beginning on or after 1 January 2015

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

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

New and revised HKFRSs issued but not yet effective (Continued)

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designed as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities’ credit risk are subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

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

The directors anticipate that the adoption of HKFRS 9 in the future may have a significant impact on the amounts reported in respect of the Group’s financial assets and financial liabilities. Regarding the Group’s financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

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

New and revised HKFRSs issued but not yet effective (Continued)

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

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

Key requirements of these five standards are described below.

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

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

New and revised HKFRSs issued but not yet effective (Continued)

HKFRS 13 Fair Value Measurement

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

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

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

HKAS 19 Employee Benefits

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

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

Amendments to HKAS 1 Presentation of Comprehensive Income

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

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

New and revised HKFRSs issued but not yet effective (Continued)

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

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

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

HKAS 1 (Amendments)

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

HKAS 16 (Amendments)

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

HKAS 32 (Amendments)

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs, which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and interpretations issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the disclosure requirements of the Hong Kong Companies Ordinance.

These consolidated financial statements are presented in Hong Kong dollars, which is same as the functional currency of the Company and all values are rounded to the nearest thousand (HK\$’000) except otherwise indicated.

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believe to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustments in the next year are discussed in Note 6 to the consolidated financial statements.

A summary of the significant accounting policies followed by the Group in the preparation of the consolidated financial statements is set out below:

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group. The Group incurred a net loss of approximately HK\$90,915,000 for the year ended 31 March 2013 and accumulated losses of approximately HK\$295,274,000 as at 31 March 2013. In addition, the Group recorded negative cash flows and significant deterioration in the value of assets used to generate cash flows during the year ended 31 March 2013. Notwithstanding the above situations, the consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent upon the outcome of the arbitration and recoverability of the other receivables as stated below in Note 25 to the consolidated financial statements and the successful outcome of the Group’s measures to satisfy its working capital needs and improve the liquidity position. The consolidated financial statements do not include any adjustments that would result from the Group failing to recover the other receivables or the failure in the measures undertaken by the Group in satisfying the working capital needs and improving the liquidity position. If the other receivables were not to be recovered or there was a failure as to the successful outcome of aforementioned measures, adjustments would have to be made to the consolidated financial statements to reduce the value of the Group’s assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of preparation *(Continued)*

On 22 April 2013, the Company entered into the a share placing agreement to place a maximum of 150,000,000 shares to not less than 6 independent places at the placing price of HK\$0.34 per placing share. The share placement has already been completed on 4 June 2013. 88,200,000 placing shares have been successfully placed. The net proceeds from the placement is approximately HK\$29,000,000. The Group plans to use approximately between 70% to 80% of the proceeds for the repayment of debts and the balance as general working capital of the Group.

Moreover, the Group entered into an agreement with the major shareholder, Rich Place Investment Limited ("Rich Place"), who has confirmed that it will not demand repayment of the amount due of approximately HK\$40,722,000 within the next twelve months from the end of the reporting period. In addition, Rich Place has also agreed to provide continuing financial support to the Group. As such, the directors are confident that the Group's future operations will be successful and able to generate sufficient cash flows in order to meet its obligations as they fall due over the next twelve months. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Basis of consolidation

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

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

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

Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein.

Changes in the Group's ownership interests in existing subsidiaries

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries *(Continued)*

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

Business combinations

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

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

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

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

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

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

Investments in subsidiaries

Subsidiaries are entities over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Associated companies

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

The financial statements is presented in Hong Kong Dollars. 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.

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

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

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Group losing control over a subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity under the heading of exchange translation reserve.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

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

The cost of an asset 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 property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of comprehensive income in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The principal annual rates used for this purpose are as follow:

Leasehold improvements	Over the terms of lease or 3 years, whichever is shorter
Machinery	33 $\frac{1}{3}$ %
Motor vehicles	20%
Furniture, fixtures and office equipment	20%
Tools and equipment	20%

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

Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of tangible assets *(Continued)*

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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, 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 percentage of certified value of work performed to the contract sum for each contract.

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

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

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from customers for contract work.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to customers for contract work.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions

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

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

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

Taxation

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

Current tax

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

Deferred tax

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Current and deferred tax for the year

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

Employee benefits

(i) Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of services 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. Long service payments are recognised when they accrue to employees. A provision is made for the estimated liability for the long service payments as a result of services rendered by employees up to the end of each reporting period.

(ii) Retirement benefits schemes

The Group operates defined contribution retirement benefits schemes in Hong Kong, including a Mandatory Provident Fund Scheme (the "MPF Scheme"), for those employees who are eligible and have elected to participate in the schemes. Contributions are made based on a percentage of the participating employees' basic salaries and are charged to the consolidated statement of comprehensive income as they become payable in accordance with the rules of the schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. When an employee leaves the schemes, with the exception of the MPF Scheme, prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of any forfeited contributions. In respect of the MPF Scheme, the Group's employer contributions vest fully with the employees when contributed into the scheme.

The Group also operates a Mandatory Provident Fund Exempted ORSO retirement benefits scheme for those employees who are eligible to participate in the scheme. This scheme operates in a way similar to the MPF Scheme, except that when an employee leaves the scheme prior to his/her interest in the Group's employee contributions vesting fully, the ongoing contributions payable by the Group was reduced by the relevant amount of forfeited employer's contributions.

The employees of the Group's subsidiary which operates in the PRC are required to participate in a central pension scheme operated by the local municipal government. The subsidiary is required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the consolidated statement of comprehensive income as they become payable in accordance with the rules of the central pension scheme.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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:

- (i) from construction contracts, based on the percentage of completion basis as further explained in above;
- (ii) work orders from contracts for alterations, additions, repairs and maintenance, based on the value of individual work order certified by relevant employers;
- (iii) management fee income and tender services income, when the services are rendered;
- (iv) rental income, on a time proportion basis over the lease terms;
- (v) advertising income, on a straight-line basis over the period during the advertisement is displayed;
- (vi) on-line advertising and media related service income is recognised when the service is rendered;
- (vii) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and
- (viii) dividend income, when the shareholders' right to receive payment has been established.

Financial instruments

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

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

Financial assets

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Effective interest method

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

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

Available-for-sale financial assets

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

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of the reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

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

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

For all other financial assets, objective evidence of impairment could include:

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

For certain categories of financial asset, such as accounts receivable, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days to its contract customers and 180 days for advertising customers, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Classification as debtor equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

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

Other financial liabilities

Other financial liabilities (including promissory notes, loans from shareholders, accounts payable and other payables and accruals) are subsequently measured at amortised cost using the effective interest method.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Promissory notes

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

Effective interest method

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

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

Derecognition

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

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

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

Contingent assets and liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

Segment information

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related party

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

- (1) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group.
- (2) An entity is related to the Group if any of the following condition applies:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsorship employers are also related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (1).
 - (vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Current assets and liabilities

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

4. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	The Group	
	2013	2012
	HK\$'000	HK\$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	15,142	31,783
Available-for-sale financial assets	165	26,540
Financial liabilities		
Amortised cost	228,104	256,385

	The Company	
	2013	2012
	HK\$'000	HK\$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	432,805	507,709
Financial liabilities		
Amortised cost	71,017	74,135

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

4. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

The Group's and the Company's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's and the Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's and the Company's financial performance.

Management regularly manages the financial risks of the Group and the Company. Because of the simplicity of the financial structure and the current operations of the Group and the Company, no major hedging activities are undertaken by management.

Market risk

(i) Foreign currency risk management

The Group and the Company operated internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Hong Kong dollars ("HKD"), Canadian dollars ("CAD") and Renminbi ("RMB"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group and the Company currently do not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

4. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk (Continued)

(i) *Foreign currency risk management (Continued)*

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

	The Group			
	Liabilities		Assets	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
RMB	5,075	2,712	26	–
CAD	–	7,625	–	–

	The Company			
	Liabilities		Assets	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
RMB	4,980	–	–	–
CAD	–	7,625	–	–

Sensitivity analysis on foreign currency risk management

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

The following table details the Group's and the Company's sensitivity to a 5% increase and decrease in Hong Kong dollars against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A negative number below indicates a decrease in profit where the Hong Kong dollars strengthen 5% against the relevant currency. For a 5% weakening of the Hong Kong dollars against the relevant currency, there would be an equal and opposite impact on the profit, and the balance below would be positive.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

4. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(i) Foreign currency risk management *(Continued)*

Sensitivity analysis on foreign currency risk management (Continued)

	The Group	
	2013	2012
	HK\$'000	HK\$'000
Impact of RMB		
Profit or loss (Note (i))	252	136
Impact of CAD		
Profit or loss (Note (ii))	–	381

	The Company	
	2013	2012
	HK\$'000	HK\$'000
Impact of CAD		
Profit or loss (Note (ii))	–	381

Notes:

- (i) This is mainly attributable to the exposure outstanding on receivables, cash and bank balances and payables denominated in RMB not subject to cash flow hedge at the end of the reporting period.
- (ii) This is mainly attributable to the exposure outstanding on payables denominated in CAD not subject to cash flow hedge at the end of the reporting period.

(ii) Interest rate risk management

The Group's interest rate risk arises from interest-bearing borrowings. Loans from a related party as disclosed in Note 28, which issued at fixed rates expose the Group to fair value interest rate risk. The Group did not enter into interest rate swap to hedge against its exposures to changes in fair values of the borrowings.

The Group considers that there is no significant cash flow interest rate risk as the Group does not have variable-rate borrowings.

The Company considers that there is no significant cash flow interest rate risk and fair value interest rate risk as the Company does not have variable-rate borrowings and fixed-rate borrowings.

The Group's and the Company's exposure to interest rates on financial liabilities is detailed in the liquidity risk management section of this note.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

4. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk management

As at 31 March 2013, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated and the Company statements of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt and debt investments at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. For construction transaction, back-to-back arrangements are made with the sub-contractors where applicable to minimise the credit risk. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

In order to minimise the credit risk of the Company on the amounts due from subsidiaries, the management of the Company closely monitored the recoverability of the amounts due. In this regard, the directors of the Company consider that the Company's credit risk on it is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group and the Company do not have any other significant concentration of credit risk.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework to meet the Group's and the Company's short, medium and long-term funding and liquidity management requirements. The Group and the Company manage liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables below have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

4. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk management (Continued)

The Group:

At 31 March 2013

	Weighted average effective interest rate %	Within 1 year HK\$'000	2 to 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
Non-derivative financial liabilities						
Accounts payable	-	2,007	-	-	2,007	2,007
Loans from shareholders	4.95	400	42,758	-	43,158	41,122
Other payables and accruals	-	11,817	-	-	11,817	11,817
Promissory notes	14.21	-	224,386	-	224,386	173,158
		14,224	267,144	-	281,368	228,104

At 31 March 2012

	Weighted average effective interest rate %	Within 1 year HK\$'000	2 to 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
Non-derivative financial liabilities						
Accounts payable	-	4,850	-	-	4,850	4,850
Loans from shareholders	-	3,280	41,240	-	44,520	44,520
Other payables and accruals	0.52	18,279	-	-	18,279	18,185
Promissory notes	9.41	-	224,432	-	224,432	188,830
		26,409	265,672	-	292,081	256,385

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

4. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk management (Continued)

The Company:

At 31 March 2013

	Weighted average effective interest rate %	Within 1 year HK\$'000	2 to 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
Non-derivative financial liabilities						
Loans from shareholders	5	–	40,804	–	40,804	37,010
Other payables and accruals	–	668	–	–	668	668
Amounts due to subsidiaries	–	33,339	–	–	33,339	33,339
		34,007	40,804	–	74,811	71,017

At 31 March 2012

	Weighted average effective interest rate %	Within 1 year HK\$'000	2 to 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
Non-derivative financial liabilities						
Loans from shareholders	–	780	39,240	–	40,020	40,020
Other payables and accruals	3.22	3,045	–	–	3,045	2,951
Amounts due to subsidiaries	–	31,164	–	–	31,164	31,164
		34,989	39,240	–	74,229	74,135

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

4. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value of financial instruments

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

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

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

	2013		2012	
	Carrying amount HK\$'000	Fair value HK\$'000	Carrying amount HK\$'000	Fair value HK\$'000
Financial liabilities				
Promissory notes	173,158	174,907	188,830	188,647

Fair value measurements recognised in the consolidated statement of financial position

The Group's financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

4. FINANCIAL INSTRUMENTS *(Continued)*

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

Fair value measurements recognised in the consolidated statement of financial position (Continued)

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

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

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of debt (which includes loans from shareholders, promissory notes and amounts due to related parties). The ratio is calculated based on total debt and total assets of the Group. The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors consider the cost of capital and the risks associated with capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and issuance of new shares as well as the addition of new borrowings.

The Group is not subject to any externally Imposed capital requirements.

Gearing ratio

The gearing ratios at 31 March 2013 and 31 March 2012 were as follows:

	2013 HK\$'000	2012 HK\$'000
Debt (note (a))	214,280	238,738
Assets (note (b))	586,686	725,096
Gearing ratio	36.52%	32.93%

Notes:

- (a) Debt comprises amounts due to related parties, loans from shareholders and promissory notes as detailed in Notes 28, 29 and 30 respectively.
- (b) Assets includes all current and non-current assets of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

6. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

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

(a) *Construction contract revenue recognition*

According to the accounting policies of construction contracts as stated in Note 3, the Group uses the percentage of completion method to determine the appropriate revenues to be recognised in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as percentage of total estimated costs for each contract.

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

Key sources of estimation uncertainty

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

(a) *Income taxes*

The Group is subject to income taxes in Hong Kong and the People's Republic of China (the "PRC"). Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(b) Impairment of property, plant and equipment

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid. The Group tests annually whether the assets have suffered any impairment. The recoverable amount of an asset or a cash generating unit is determined based on value in use calculations which require the use of assumptions and estimates.

(c) Fair value estimation

The carrying amounts of the Group's financial assets, including accounts receivable, other receivables, and cash and bank balances, and financial liabilities, including accounts payable, other payables and accruals, promissory notes and loans from shareholders, approximate their fair values due to their short maturities. The face values less any credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

(d) Impairment of accounts receivable and other receivables

The aged debt profile of accounts receivable and other receivables is reviewed on a regular basis to ensure that the accounts receivable balances are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Group may experience delays in collection. Where recoverability of receivables are called into doubts, specific provisions for bad and doubtful debts are made based on credit status of the debtors, the aged analysis of the accounts receivable balances and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivables to the statement of comprehensive income. Changes in the collectability of accounts receivable for which provisions are not made could affect our results of operations.

(e) Impairment for goodwill

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

The carrying amount of goodwill as at 31 March 2013 was approximately HK\$570,507,000 (2012: HK\$663,158,000). Details of the impairment loss calculation are disclosed in Note 19.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

7. SEGMENT INFORMATION

For the purposes of resources allocation and performance assessment, information reported to the chief operating decision maker of the Company, specifically focuses on the performance of building construction, renovation, repairs and maintenance and advertising services. The Group's operating and reportable segments are therefore as follows:

- (a) the building construction segment engages in construction and foundation contract works as a main contractor or subcontractor for building construction in the private and public sectors;
- (b) the renovation, repairs and maintenance segment engages in site formation, civil engineering works, repairs, maintenance, renovation and fitting out works in the private and public sectors; and
- (c) the advertising segment engages in advertising services with (i) the provision of rail transit value-added services through LCD displays located at the ticketing offices of each station in the PRC; and (ii) the provision of advertising and value-added services through mobile devices and digital media network of LCD and flat panel screens in retail chain network in Hong Kong.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

7. SEGMENT INFORMATION *(Continued)*

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating segment:

	Building construction		Renovation, repairs and maintenance		Advertising		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Contract revenue from external customers	-	3,060	-	24,399	6,677	1,295	6,677	28,754
Segment results	-	(4,598)	-	2,122	811	(19,554)	811	(22,030)
Interest income							-	12
Unallocated gains							29,792	6,408
Gain on disposals of subsidiaries							25,930	1,592
Impairment loss in respect of goodwill					(92,651)	(13,329)	(92,651)	(13,329)
Impairment loss in respect of available-for-sales financial assets							(26,375)	-
Impairment loss in respect of interest in a jointly controlled entity							-	(2)
Central administration costs							(10,551)	(16,755)
Loss from operating activities							(73,044)	(44,104)
Finance costs							(17,793)	(1,046)
Loss before taxation							(90,837)	(45,150)
Taxation							(78)	(329)
Loss for the year							(90,915)	(45,479)

There were no inter-segment sales during the year (2012: Nil). Segment profit/(loss) represents the profit/(loss) earned without allocation of central administration costs including directors' salaries, investment and other income, gain on disposals of subsidiaries, gain on early extinguishment of promissory notes, impairment loss in respect of goodwill, impairment loss in respect of available-for-sale financial asset, impairment loss in respect of interest in a jointly controlled entity, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

7. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segment:

	Building construction		Renovation, repairs and maintenance		Advertising		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	11,118	11,265	71	2,405	573,328	668,883	584,517	682,553
Unallocated assets							2,169	42,543
							586,686	725,096
Segment liabilities	6,236	2,248	2,058	1,445	179,030	196,787	187,324	200,480
Unallocated liabilities							40,780	56,021
							228,104	256,501

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

- all assets are allocated to reportable segments other than available-for-sale financial asset and unallocated head office and corporate assets.
- all liabilities are allocated to reportable segments other than current tax liabilities, loans from shareholders and unallocated head office and corporate liabilities.

Other segment information

	Building construction		Renovation, repairs and maintenance		Advertising		Unallocated		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation	5	-	16	-	1,106	2,077	122	117	1,249	2,194
Additions to non-current assets	-	-	4	-	35	-	-	350	39	350
Impairment loss in respect of accounts receivable	-	-	-	-	-	92	-	-	-	92
Impairment loss in respect of other receivables	-	4,673	-	-	-	17,527	-	-	-	22,200
Impairment loss in respect of goodwill	-	-	-	-	92,651	13,329	-	-	92,651	13,329
Impairment loss in respect of available-for-sale financial assets	-	-	-	-	-	-	26,375	-	26,375	-
Impairment loss in respect of interest in a jointly controlled entity	-	-	-	-	-	-	-	2	-	2

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

7. SEGMENT INFORMATION *(Continued)*

Geographical information

The Group operates in two principal geographical areas – Hong Kong and the PRC.

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Hong Kong		The PRC		Total	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Revenue from external customers	6,419	13,276	258	15,478	6,677	28,754
Non-current assets*	571,042	663,829	42	1,598	571,084	665,427

* Non-current assets excluding available-for-sale financial assets.

Revenue from major services

The Group's revenue from its major services was as follows:

	2013 HK\$'000	2012 HK\$'000
Building construction	–	3,060
Renovation, repairs and maintenance	–	24,399
Advertising	6,677	1,295
	6,677	28,754

Information about major customer

During the year ended 31 March 2012, includes in revenues arising from provision of renovation, repairs and maintenance services of approximately HK\$24,399,000 are revenues of approximately HK\$13,218,000 which arose from sales to the Group's largest customer.

During the year ended 31 March 2012, includes in revenues arising from provision of building construction services, approximately HK\$3,060,000 are revenues arose from a single customer who contributed 10% or more to the Group's revenue.

There was no revenue generated from the above two segments for the year ended 31 March 2013.

During the year ended 31 March 2013, includes in revenue arising from provision of advertising services, approximately HK\$900,000 (2012: Nil) are revenue arose from a single customer who contributed 10% or more to the Group's revenue.

No other single customers contributed 10% or more to the Group's revenue for both 2013 and 2012.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

8. TURNOVER AND OTHER REVENUE

Turnover represents the appropriate proportion of contract revenue of construction contracts, renovation, repairs and maintenance and advertising income.

An analysis of turnover and other revenue is as follows:

	The Group	
	2013 HK\$'000	2012 HK\$'000
Turnover:		
Contract revenue	–	27,459
Advertising income	6,677	1,295
	6,677	28,754
Other revenue:		
Bank interest income	–	1
Other interest income	–	11
Refund of legal and professional fees	–	5,776
Sundry income	751	601
	751	6,389

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For the year ended 31 March 2013

9. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging/(crediting):

	2013 HK\$'000	2012 HK\$'000
Auditors' remuneration	580	580
Depreciation	1,249	2,194
Less: Amounts classified as cost of sales	(433)	(1,924)
	816	270
Impairment loss in respect of available-for-sale financial assets	26,375	–
Impairment loss in respect of accounts receivable	–	92
Impairment loss in respect of other receivables	–	22,200
Impairment loss in respect of goodwill	92,651	13,329
Impairment loss in respect of interest in a jointly controlled entity	–	2
Staff costs (excluding directors' remuneration)		
– wages and salaries	2,076	3,976
– pension scheme contributions	117	179
	2,193	4,155
Less: Amount of staff costs classified as cost of sales	–	(816)
	2,193	3,339
Minimum lease payments under operating leases:		
– Land and buildings	107	107
Legal and professional fees	1,625	6,314
Loss on disposal of property, plant and equipment	4	–
Exchange loss, net	389	1,187
and after crediting:		
Other income:		
Gain on disposal of property, plant and equipment	–	31
Gain on early extinguishment of promissory rates	29,041	–
	29,041	31

10. FINANCE COSTS

	The Group 2013 HK\$'000	2012 HK\$'000
Interest on amount due to a related party	95	172
Imputed interest on promissory notes wholly repayable within five years (Note 30)	17,698	874
	17,793	1,046

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For the year ended 31 March 2013

11. DIRECTORS' REMUNERATION

The remuneration of every director for the year ended 31 March 2013 and 2012, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Fees		Salaries and other benefits		Bonus		Pension scheme contributions		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive Directors										
Mr. Hui Chi Yung	-	-	825	825	69	69	15	12	909	906
Mr. Yih Chuen Yung Grace (appointed on 30 November 2012)	-	-	62	-	15	-	2	-	79	-
Mr. Hui Kau Mo (resigned on 28 November 2012)	-	-	-	-	-	-	-	-	-	-
	-	-	887	825	84	69	17	12	988	906
Independent Non-Executive Directors										
Dr. Hu Chung Kuen, David	20	20	-	-	-	-	-	-	20	20
Mr. Liu Kwong Sang	20	20	-	-	-	-	-	-	20	20
Mr. Sit Hing Wah	20	20	-	-	-	-	-	-	20	20
	60	60	-	-	-	-	-	-	60	60
	60	60	887	825	84	69	17	12	1,048	966

The number of directors whose remuneration fell within the following bands is as follows:

	Number of directors	
	2013	2012
Nil – HK\$1,000,000	6	5

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

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2012: Nil).

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For the year ended 31 March 2013

12. SENIOR MANAGEMENT'S EMOLUMENTS AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

(a) Five highest paid individuals

The five individuals with the highest emoluments, one (2012:one) is a director whose emolument is disclosed in note 11.

The aggregate of the emoluments in respect of the other four (2012: four) individuals, include one (2012: one) of senior management, are as follows:

	The Group	
	2013	2012
	HK\$'000	HK\$'000
Salaries, allowance and benefits in kind	1,085	1,986
Pension scheme contributions	50	52
	1,135	2,038

The emoluments of the four (2012: four) individuals, include one (2012: one) of senior management, with the highest emoluments are within the following band:

	Number of individuals	
	2013	2012
Nil – HK\$1,000,000	4	4

(b) Senior management of the Company

The emoluments of the senior management of the Company are within the following band:

	Number of individuals	
	2013	2012
Nil – HK\$1,000,000	1	2

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

13. TAXATION

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits arising in Hong Kong during the year ended 31 March 2013 (2012: nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	The Group	
	2013 HK\$'000	2012 HK\$'000
Under provision in prior years:		
– Hong Kong	78	329

A reconciliation of the tax expense applicable to loss before taxation using the statutory rates for the countries in which the Company and its subsidiaries, and jointly-controlled entity are domiciled to the tax expense at the effective tax rates, and a reconciliation of tax at the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

The Group

	Hong Kong		2013 PRC		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Loss before taxation	(88,479)		(2,358)		(90,837)	
Tax at applicable tax rate	(14,599)	(16.5)	(590)	(25.0)	(15,189)	(16.7)
Tax effect of expenses not deductible for tax purposes	34,488	39.0	161	6.8	34,649	38.1
Tax effect of income not taxable for tax purpose	(20,494)	(23.2)	–	–	(20,494)	(22.6)
Tax effect of tax losses not recognised	629	0.7	429	18.2	1,058	1.2
Under-provision of tax of prior year	78	0.1	–	–	78	0.1
Utilisation of tax losses previously not recognised	(24)	–	–	–	(24)	–
Tax charge at the Group's effective rate	78	0.1	–	–	78	0.1

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

13. TAXATION (Continued)

The Group (Continued)

	Hong Kong		2012 PRC		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Loss before taxation	(35,022)		(10,128)		(45,150)	
Tax at applicable tax rate	(5,779)	(16.5)	(2,532)	(25.0)	(8,311)	(18.4)
Tax effect of expenses not deductible for tax purposes	6,127	17.5	3,175	31.3	9,302	20.6
Tax effect of income not taxable for tax purpose	(1,599)	(4.6)	(320)	(3.1)	(1,919)	(4.3)
Tax effect of tax losses not recognised	1,251	3.6	–	–	1,251	2.8
Under-provision of tax of prior year	329	0.9	–	–	329	0.7
Utilisation of tax losses previously not recognised	–	–	(323)	(3.2)	(323)	(0.7)
Tax charge at the Group's effective rate	329	0.9	–	–	329	0.7

14. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 March 2013 dealt with in the financial statements of the Company is approximately HK\$2,589,000 (2012: net loss of approximately HK\$2,787,000).

15. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2013 (2012: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

16. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	2013 HK\$'000	2012 HK\$'000
Loss		
Loss for the purpose of basic and diluted loss per share	(89,881)	(41,150)

	2013 '000	2012 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	8,863,830	1,773,693

Diluted loss per share for the years ended 31 March 2013 and 2012 were the same as basic loss per share as there was no dilutive potential ordinary share.

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For the year ended 31 March 2013

17. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold improvements HK\$'000	Machinery HK\$'000	Motor vehicles HK\$'000	Furniture, fixture and office equipment HK\$'000	Tools and equipment HK\$'000	Total HK\$'000
Cost:						
At 1 April 2011	139	18,620	346	2,227	125	21,457
Additions	-	-	350	-	-	350
Acquisition of subsidiaries (Note 36)	-	93	-	15	-	108
Disposals	-	-	(14)	-	-	(14)
Exchange difference	-	3,677	-	168	-	3,845
At 31 March 2012 and 1 April 2012	139	22,390	682	2,410	125	25,746
Additions	-	-	-	36	3	39
Disposals of subsidiaries (Note 37)	-	(20,584)	-	(852)	-	(21,436)
Disposals	-	-	-	(1,148)	(2)	(1,150)
Exchange difference	-	198	-	9	-	207
At 31 March 2013	139	2,004	682	455	126	3,406
Accumulated depreciation:						
At 1 April 2011	92	15,447	95	1,801	118	17,553
Provided during the year	11	1,924	88	169	2	2,194
Eliminated on disposals	-	-	(3)	-	-	(3)
Exchange difference	-	3,579	-	154	-	3,733
At 31 March 2012 and 1 April 2012	103	20,950	180	2,124	120	23,477
Provided during the year	10	973	122	143	1	1,249
Eliminated on disposals	-	-	-	(1,146)	-	(1,146)
Eliminated on disposals of subsidiaries (Note 37)	-	(20,186)	-	(766)	-	(20,952)
Exchange difference	-	194	-	7	-	201
At 31 March 2013	113	1,931	302	362	121	2,829
Net book value:						
At 31 March 2013	26	73	380	93	5	577
At 31 March 2012	36	1,440	502	286	5	2,269

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For the year ended 31 March 2013

18. GOODWILL

The Group

	HK\$'000
Cost:	
At 1 April 2011	57,823
Acquisition of subsidiaries (Note 36)	663,158
At 31 March 2012 and 1 April 2012	720,981
Disposals of subsidiaries (Note 37)	(57,823)
At 31 March 2013	663,158
Accumulated impairment losses:	
At 1 April 2011	44,494
Impairment loss recognised for the year	13,329
At 31 March 2012 and 1 April 2012	57,823
Disposal of subsidiaries (Note 37)	(57,823)
Impairment loss recognised for the year	92,651
At 31 March 2013	92,651
Carrying amount:	
At 31 March 2013	570,507
At 31 March 2012	663,158

Particulars regarding impairment testing on goodwill are disclosed in note 19 to the consolidated financial statements.

19. IMPAIRMENT TESTING ON GOODWILL

Goodwill has been allocated for impairment testing purposes to the following groups of cash-generating units:

- Advertising at mobile devices and retail chain network

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

	2013 HK\$'000	2012 HK\$'000
Advertising at mobile devices and retail chain network	570,507	663,158

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

19. IMPAIRMENT TESTING ON GOODWILL *(Continued)*

Advertising through mobile devices and retail chain network

The recoverable amount of this cash-generating units are determined based on a value in use calculation which uses discounted cash flow projections based on financial budgets approved by management covering a five-year period.

Impairment loss of approximately HK\$92,651,000 was recognised in the consolidated statement of comprehensive income for the year ended 31 March 2013 as the actual operating profit flowing from this cash-generating unit was worse than originally budgeted and the carrying amount of this cash-generating unit exceeded its recoverable amount.

Cash flow projections during the budget period are based on financial budgets approved by management covering a five-year period. Cash flows beyond that five-year period have been extrapolated using a steady 2% per annum growth rate. This growth rate does not exceed the long-term average growth rate for the market in which the advertising operation is dedicated.

The key assumptions used in the value in use calculations for advertising are as follows:

Budgeted market share and sales – average market share and sales in the period immediately before the budget period is expected to be unchanged over the budget period. The values assigned to the assumptions reflect past experience, except for the growth factor, which is consistent with management plans for focusing operations in the industry. Management believes that the planned market share growth and budgeted sales over the budget period is reasonably achievable.

Budgeted gross margin – Average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements.

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group	
	2013	2012
	HK\$'000	HK\$'000
Available-for-sale financial assets comprise:		
Unlisted equity securities in Hong Kong	165	26,540
Analysed for reporting purposes as:		
Non-current assets	165	26,540

Unlisted equity securities represented the securities issued by a private entity incorporated in Hong Kong. The private entity is principally engaged in outdoor advertising in Hong Kong. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair values estimates is so significant that the directors are of the opinion that their fair values cannot be measured reliably. During the year ended 31 March 2013, an objective evidence of impairment was considered to exist due to adverse financial position of the private entity. For the purpose of impairment, the recoverable amount has been determined under the market-based approach and the number of contracts on hand. The management considered that the recoverable amount of available-for-sale financial assets is significantly less than its investment cost and hence an impairment loss of approximately HK\$26,375,000 is recognised against the investment cost.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

21. INTERESTS IN SUBSIDIARIES

	The Company	
	2013 HK\$'000	2012 HK\$'000
Unlisted investments, at cost	107,848	107,848
Less: Impairment loss recognised (note (i))	(107,848)	(107,848)
	–	–
Amounts due from subsidiaries	522,438	594,277
Less: Impairment loss recognised (note (iv))	(98,914)	(90,347)
	423,524	503,930

Notes:

- (i) The carrying amounts of cost of investments are reduced to their recoverable amounts which are determined by reference to the value in use.
- (ii) Amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.
- (iii) Amounts due to subsidiaries are unsecured, interest-free and repayable on demand.
- (iv) The amounts due from subsidiaries are non-trade nature, unsecured, interest free and no fixed term of repayment. Due to the prolonged poor financial performance of the subsidiaries, the carrying amounts of amounts due from subsidiaries are reduced to their recoverable amounts which are determined by reference to the estimation of future cash flows expected to be generated from the respective subsidiaries.

Particulars of the principal subsidiaries are as follows:

Name of subsidiaries	Place of incorporation/ registration and operations	Nominal value of issued and fully paid-up share/ registered capital	Percentage of equity interests and voting power attributable to the Company		Principal activities
			<i>Direct</i>	<i>Indirect</i>	
Beast Media Limited	Hong Kong	HK\$1,000, 1,000 ordinary shares of HK\$1 each	–	100%	Investment holding
FingerAd Media Company Limited	Hong Kong	HK\$1, 1 ordinary share of HK\$1 each	–	100%	Food and beverages industry advertising business
Huge Leader Development Ltd.	British Virgin Islands	US\$256,410, 256,410 ordinary shares of US\$1 each	–	100%	Investment holding
Power Pond Limited	Hong Kong	HK\$2, 2 ordinary shares of HK\$1 each	–	100%	Property investment

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

21. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Place of incorporation/ registration and operations	Nominal value of issued and fully paid-up share/ registered capital	Percentage of equity interests and voting power attributable to the Company		Principal activities
			Direct	Indirect	
Capital Marks Ltd.	British Virgin Island	US\$1,000, 1,000 ordinary shares of US\$1 each	–	100%	Investment holding
Cotak Enterprises Ltd.	Hong Kong	HK\$2, 2 ordinary shares of HK\$1 each	–	100%	General Investment
Guangzhou Tracks Co., Ltd.	PRC	HK\$150,000	–	100%	Consultation on advertising services
Shing Tak Construction Company Limited	Hong Kong	HK\$10,000,000, 10,000,000 ordinary shares of HK\$1 each	–	100%	Investment holding
Wing Hong (China) Limited	Hong Kong	HK\$100, 100 ordinary shares of HK\$1 each	–	100%	Investment holding
Wing Hong (Macau) Ltd.	Macau	MOP100,000, 100,000 ordinary shares of MOP1 each	–	100%	Investment holding
Wing Hong Contractors Limited	Hong Kong	HK\$17,750,000, 1,775,000 ordinary shares of HK\$10 each	–	100%	Building construction and maintenance works
Wing Hong Interior Contracting Limited	Hong Kong	HK\$100, 100 ordinary shares of HK\$1 each	–	100%	Renovation and interior decoration works
Wing Hong Investment Limited	British Virgin Islands	US\$1,000, 1,000 ordinary share of US\$1 each	100%	–	Investment holding

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

22. INTEREST IN A JOINTLY CONTROLLED ENTITY

	The Group	
	2013 HK\$'000	2012 HK\$'000
Unlisted shares, at cost	–	–
Share of post-acquisition profits and other comprehensive income, net of dividends received	–	2
	–	2
Less: Impairment loss recognised (note (i))	–	(2)
	–	–

Notes:

- (i) The carrying amount of cost of investment in a jointly controlled entity is reduced to its recoverable amount which was estimated to be less than its carrying amount.
- (ii) On 26 August 2011, WH-SCG JV Limited has been deregistered pursuant to the approval of the Company Registry of the Government of Hong Kong Special Administrative Region.

Particulars of the jointly controlled entity as at 31 March 2012 are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	
WH-SCG JV Limited ("WH-SCG")	Corporate	Hong Kong	50	50	50	Dormant

The above investment in a jointly controlled entity is indirectly held by the Company.

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For the year ended 31 March 2013

22. INTEREST IN A JOINTLY CONTROLLED ENTITY (Continued)

The summarised financial information in respect of the Group's jointly controlled entity, extracted from its management accounts, is set out below:

	2013 HK\$'000	2012 HK\$'000
Non-current assets	–	–
Current assets	–	–
	–	–
Turnover	–	–
Net loss for the year	–	–
Loss attributable to the Group	–	–

23. INTEREST IN AN ASSOCIATE

	The Group 2013 HK\$'000	2012 HK\$'000
Share of post-acquisition profits and other comprehensive income, net of dividends received	–	–

Particulars of the associate are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of ownership interest and voting power attributable to the Group	Principal activities
Beatrice Construction Limited	Corporate	Hong Kong	30.625%	Dormant

The above investment in an associate is indirectly held by the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

23. INTEREST IN AN ASSOCIATE *(Continued)*

The summarised financial information in respect of the Group's associate, extracted from its management accounts, is set out below:

	2013 HK\$'000	2012 HK\$'000
Total assets	731	731
Total liabilities	(907)	(907)
	(176)	(176)
Group's share of net liabilities of the associate	(54)	(54)
Turnover	–	–
Loss for the year	–	–

24. ACCOUNTS RECEIVABLE

	The Group 2013 HK\$'000	2012 HK\$'000
The following is an analysis of accounts receivable at the end of the reporting period:		
Within 30 days	393	2,554
31 – 90 days	490	–
91 – 180 days	375	–
Over 180 days	770	645
	2,028	3,199
Less: Impairment loss recognised	–	(92)
	2,028	3,107

Notes to the Consolidated Financial Statements

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24. ACCOUNTS RECEIVABLE (Continued)

Notes:

- (a) The carrying amounts of accounts receivable are reduced to their recoverable amounts which are determined by reference to the estimation of future cash flows expected to be generated.
- (b) The movements in impairment loss in respect of accounts receivable were as follows:

	The Group 2013 HK\$'000	2012 HK\$'000
At the beginning of the year	92	–
Impairment losses recognised on receivables	–	92
Derecognised upon disposal of subsidiaries	(92)	–
At the end of the year	–	92

- (c) Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts (which include interest accrued) are still considered recoverable. The aged analysis of the Group's accounts receivable balances which are past due but not impaired is presented as follows:

	The Group 2013 HK\$'000	2012 HK\$'000
Over 180 days	770	553

Interim applications for progress payments for contract works are normally made on a monthly basis. The Group allows an average credit period of 60 days to its contract customers and advertising customers. For retention money receivables in respect of contract works, the due dates are usually not more than three months after the issue of statements of the final accounts of the contract works. As at 31 March 2013 and 2012, no retentions held by customers for contract work were included in accounts receivables.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	The Group		The Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Prepayments	267	1,282	267	169
Deposits and other receivables	47	6,191	–	–
Other receivables	15,266	33,135	–	–
	15,580	40,608	267	169
Less: impairment loss recognised	(4,672)	(22,200)	–	–
	10,908	18,408	267	169

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

The movements in impairment loss in respect of other receivable was as follows:

	The Group	
	2013	2012
	HK\$'000	HK\$'000
At the beginning of the year	22,200	–
Impairment losses recognised on receivables	–	22,200
Derecognised upon disposal of subsidiaries	(17,528)	–
At the end of the year	4,672	22,200

Included in the Group's deposits and other receivables as at 31 March 2013 and 2012 is an amount of approximately HK\$10,400,000, due from a subcontractor (the "Subcontractor") of the Group, representing the costs incurred on behalf of the Subcontractor in relation to a civil engineering works contract (the "Contract") granted by the Civil Engineering Department of the HKSAR Government to the Group. Due to the unsatisfactory performance of the Subcontractor, and pursuant to a supplemental agreement signed between the Group and the Subcontractor in December 2002, the Group had incurred additional costs to engage other subcontractors to rectify the defects, to complete the incomplete subcontracted works of the Subcontractor and to pay on behalf of the Subcontractor's material, labour and related expenses, in order to proceed and complete the subcontracted works. According to the aforesaid supplemental agreement, the Group is entitled to recover from the Subcontractor the aforesaid costs incurred. During the year ended 31 March 2005, the Subcontractor denied the amount payable to the Group and the Group has commenced arbitration proceedings against the Subcontractor to recover the amount due. After consultation with the Group's legal advisors, the directors consider that the Group has valid grounds to recover the amount due from the Subcontractor. However, it is uncertain at this stage as to the outcome of the arbitration and hence the recoverability of the receivable due from the Subcontractor.

For the year ended 31 March 2013, impairment of other receivables of approximately HK\$Nil (2012: HK\$22,200,000) has been included in the consolidated statement of comprehensive income. The debtors are either lost of contact or in financial difficulties of which the directors are of the opinion that the outstanding balances were not recoverable.

26. CASH AND CASH EQUIVALENTS

At 31 March 2012, cash and cash equivalents of the Group included currencies denominated in RMB amounted to approximately HK\$72,000 which is not freely convertible into other currencies.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

27. ACCOUNTS PAYABLE

The following is an aged analysis of the accounts payable at the end of the reporting period:

	The Group	
	2013 HK\$'000	2012 HK\$'000
Within 30 days	255	4,150
31 – 90 days	375	–
91 – 180 days	59	–
Over 180 days	1,318	700
	2,007	4,850

As at 31 March 2013 and 2012, no retentions payable are included in accounts payable under current liabilities.

28. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Other payables and accruals	11,817	12,797	668	275
Amounts due to related parties (Note)	–	5,388	–	2,676
	11,817	18,185	668	2,951

Note:

The amounts due to related parties amounting to:

- (i) As at 31 March 2012, a principal sum of HK\$2,676,000 which was granted by Ms. Chu Yuen Lam, spouse of Mr. Hui Kau Mo. Mr. Hui Kau Mo is a former director of the Company. The balance of HK\$2,772,000 was assigned to Rich Place as at 31 March 2013.
- (ii) As at 31 March 2012, an amount of approximately HK\$2,712,000 which was granted by Mr. Hui Chi Yang, Samson, son of Mr. Hui Kau Mo, who is former director of the Company. The balance of HK\$4,354,000 was assigned to Rich Place as at 31 March 2013.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

29. LOANS FROM SHAREHOLDERS

The Group

As at 31 March 2013, shareholders' loan amounting to approximately HK\$40,722,000 (2012: HK\$39,240,000) and HK\$400,000 (2012: HK\$5,280,000) were granted to the Group by Rich Place and Million Honest Limited ("Million Honest"), respectively.

During the year ended 31 March 2012, the Company repaid outstanding balance approximately HK\$3,408,000 to Rich Place, and Rich Place has agreed not to demand the repayment of the remaining amount of HK\$39,240,000 for at least twelve months from 31 March 2012. The outstanding balances have no fixed terms of repayment. During the year ended 31 March 2013, the Company repaid outstanding balance approximately HK\$7,269,000 to Rich Place, and Rich Place agreed not to demand the repayment of the remaining amount of HK\$31,971,000 for at least twelve months from 31 March 2013. As at 31 March 2013, according to deed of assignment, amount due to Mr. Hui Chi Yang, Samson of HK\$4,354,000, amount due to Mr. Hui Chi Yung of HK\$1,625,000 and amount due to Ms. Chu Yuen Lam of HK\$2,772,000 are assigned to Rich Place. Rich Place has agreed not to demand for repayment of the total outstanding balance of approximately HK\$40,722,000 for at least twelve months from 31 March 2013.

The entire issued share capital of Rich Place is held by RBTT Trust Corporation, a company established in Barbados, acting in its capacity as the trustee of The Wing Hong Trust. The Wing Hong Trust is a discretionary trust whose beneficiaries are the family members of Mr. Hui Kau Mo, the former director of the Company and include Mr. Hui Chi Yung, the director of the Company.

During the year ended 31 March 2012, the Company repaid outstanding balance of HK\$1,500,000 to Million Honest. The remaining balance of approximately HK\$780,000 is fully repaid during the year ended 31 March 2013.

On 20 August 2009 and 22 February 2010, Mr. Yiu Kai Yeuk, Raphael ("Mr. Yiu"), a former director of the Company and the sole shareholder of Million Honest, has lend the loan in the sum of HK\$2,500,000 and HK\$2,000,000 to a subsidiary of the Group on behalf of Million Honest, which are unsecured, interest-free and repayable on 31 July 2011 and 21 February 2014 respectively. During the year ended 31 March 2013, the Company repaid outstanding balance of HK\$2,250,000 to Million Honest and balance of HK\$1,850,000 was agreed to be waived. The remaining balance of approximately HK\$400,000 is repayable on demand. Amount of approximately HK\$400,000 due to Million Honest is classified as current liabilities due to its short-term maturing date.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

29. LOANS FROM SHAREHOLDERS *(Continued)*

The Company

As at 31 March 2013, shareholders' loan amounting to approximately HK\$37,010,000 (2012: HK\$39,240,000) and Nil (2012: HK\$780,000) were granted to the Company by Rich Place and Million Honest respectively.

During the year ended 31 March 2012, the Company repaid outstanding balance of approximately HK\$3,408,000 to Rich Place, and Rich Place has agreed not to demand the repayment of the remaining amount of \$39,240,000 for at least twelve months from 31 March 2012. During the year ended 31 March 2013, the Company repaid outstanding balance of approximately HK\$7,269,000 to Rich Place, and Rich Place has agreed not to demand the repayment of the remaining amount of HK\$31,971,000 for at least twelve months from 31 March 2013. As at 31 March 2013, according to deed of assignment, amount due to Mr. Hui Chi Yang, Samson of HK\$1,642,000, amount due to Mr. Hui Chi Yung of HK\$625,000 and amount due to Ms. Chu Yuen Lam of HK\$2,772,000 are assigned to Rich Place. Rich Place has agreed not to demand for repayment of the total outstanding balance of approximately HK\$37,010,000 for at least twelve months from 31 March 2013.

The entire issued share capital of Rich Place is held by RBTT Trust Corporation, a company established in Barbados, acting in its capacity as the trustee of The Wing Hong Trust. The Wing Hong Trust is a discretionary trust whose beneficiaries are the family members of Mr. Hui Kau Mo, the former director of the Company and include Mr. Hui Chi Yung, the director of the Company.

On 26 October 2008, the loan from Million Honest was expired and the new principal loan amount of HK\$3,881,000 was granted to the Company. The amount due was unsecured, bear interest at 7% and repayable on 25 October 2010. Million Honest then agreed to accept the revision of interest rate of its loan from 7% to Nil with effect from 25 October 2009. During the year ended 31 March 2011, interest payable of approximately HK\$881,000 was agreed to be waived between Million Honest and the Company, and HK\$1,000,000 was repaid by the Company. During the year ended 31 March 2012, the Company repaid outstanding balance of HK\$1,500,000 to Million Honest. The remaining balance of approximately HK\$780,000 is fully repaid during the year ended 31 March 2013.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

30. PROMISSORY NOTES

The Group

On 12 August 2011, Beast Media Limited, a wholly owned subsidiary of the Company, issued a promissory note with a principal amount of HK\$15,800,000 for acquiring 7% issued share capital of China New Media (Hong Kong) Limited. The fair value of promissory note was approximately HK\$13,540,000 on 12 August 2011. The promissory note bear interest at 2% per annum and are repayable in second anniversary from the date of issue of promissory note. The effective interest rate is 10.3785%.

On 28 March 2013, Win Today Limited, the owner of the promissory note, agreed to extend the maturity date of the promissory note from 12 August 2013 to 12 August 2014. The promissory note bear interest at 2% per annum. Upon the extension of the maturity date of the promissory note, the effective interest rate is 14.18%

On 31 March 2012, Capital Marks Limited, a wholly owned subsidiary of the Company, issued a promissory note with a principal amount of HK\$200,000,000 as part of the consideration for acquiring 100% issued share capital of Huge Leader Development Limited ("Huge Leader"). The fair value of promissory note was approximately HK\$174,617,000 on 31 March 2012. The promissory note bear interest at 2% per annum and are repayable in second anniversary from the date of issue of promissory note. The effective interest rate is 9.3313%.

On 25 March 2013, Huge Leader Holdings Limited, the owner of the promissory note, agreed to extend the maturity date of the promissory note from 31 March 2014 to 31 March 2015. The promissory note bear interest rate 2% per annum. Upon the extension of the maturity date of the promissory note, the effective rate is 14.56%

The movement of the carrying amount of the promissory notes during the year ended 31 March 2013 and 31 March 2012 is set out below:

	HK\$'000
At 1 April 2011	–
Issuance of promissory notes	188,157
Interest charged at effective interest rate	874
Interest payable	(201)
	<hr/>
At 31 March 2012 and 1 April 2012	188,830
Interest charged at effective interest rate	17,698
Extinguishment of promissory notes due to extension	(201,900)
Issuance of promissory notes due to extension	172,859
Interest payable	(4,329)
	<hr/>
At 31 March 2013	173,158

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

31. DEFERRED TAXATION

The Group has tax losses arising in Hong Kong and PRC of approximately HK\$38,785,000 (2012: HK\$65,923,000). Tax losses arising in Hong Kong are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Tax losses arising in PRC may be carried forward for a maximum for five years. Deferred tax assets had not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time, or it is not probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

32. ORDINARY SHARE CAPITAL

Ordinary share of HK\$0.01 each

	Number of shares	Nominal value of shares HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 1 April 2011, 31 March 2012, 1 April 2012 and 31 March 2013	10,000,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each:		
At 1 April 2011	1,553,830,000	15,538
Issue of shares pursuant to the placing (note (a))	310,000,000	3,100
At 31 March 2012 and 1 April 2012	1,863,830,000	18,638
Issue of shares pursuant to the conversion of convertible preference shares (note (b))	1,260,000,000	12,600
At 31 March 2013	3,123,830,000	31,238

Notes:

- (a) On 8 August 2011, 310,000,000 shares of HK\$0.01 each were issued by way of placing at a price of HK\$0.078 per shares each for consideration of HK\$24,180,000. The excess of the placing price over the par value of the shares issued was credited to the share premium amount. The shares issued during the year rank pari passu with the existing shares in all respects.
- (b) During the year ended 31 March 2013, 1,260,000,000 ordinary shares of HK\$0.01 each were issued upon the conversion of the convertible preference shares at a conversion price of HK\$0.07 per share.

Share options

Details of the Company's share option scheme are included in Note 34 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

33. NON-VOTING CONVERTIBLE PREFERENCE SHARES

Non-voting convertible preference shares, issued and fully paid:

	Number of shares	Nominal value of shares HK\$'000
Authorised:		
Non-voting convertible preference shares of HK\$0.07 each		
At 1 April 2011	–	–
Increase in authorised share capital (note (a))	7,000,000,000	490,000
At 31 March 2012, 1 April 2012 and 31 March 2013	7,000,000,000	490,000
Issued and fully paid:		
Non-voting convertible preference share of HK\$0.07 each:		
At 1 April 2011	–	–
Shares issued as consideration upon acquisition of subsidiaries (note (b))	7,000,000,000	490,000
At 31 March 2012 and 1 April 2012	7,000,000,000	490,000
Conversion of convertible preference shares (note (c))	(1,260,000,000)	(88,200)
At 31 March 2013	5,740,000,000	401,800

Notes:

- (a) Pursuant to the ordinary resolutions passed by the shareholders in the extraordinary general meeting held on 30 March 2012, the authorised share capital of the Company increased from HK\$100,000,000 divided into 10,000,000,000 ordinary shares of HK\$0.01 each to HK\$590,000,000 divided into 10,000,000,000 ordinary shares of HK\$0.01 each and 7,000,000,000 non-voting convertible preference shares of HK\$0.07 each.
- (b) The preference shares are non-voting shares and non-redeemable. The holders of the preference shares are entitled to receive the same dividends as the holders of ordinary shares. In addition, the holders of the preference shares have the right to convert any preference shares into the Company's ordinary shares at any time at the conversion price at the rate of 1 to 1 each. The conversion price will be subject to adjustments only upon occurrence of certain dilutive events. In accordance with HKAS 32 "Financial Instrument: Disclosure and Presentation" as the convertible preference share does not have a fixed maturity and is non-redeemable and payment of dividends is at the discretion of the Company, the convertible preference shares should be recognised as equity.
- (c) During the year ended 31 March 2013, 1,260,000,000 ordinary shares of HK\$0.01 each were issued upon the conversion of the convertible preference shares at a conversion price of HK\$0.07 per share.

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34. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants for their contributions to the Group. Eligible participants of the Scheme include the part-time or full-time employee, executive or officer of the Group (including the executive and non-executive directors of the Company), business consultants, agents, financial or legal advisers who the board of directors of the Company considers, in its sole discretion, will contribute or have contributed to the Group.

The Scheme became effective on 6 September 2004 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue immediately after the listing of the Company on the Stock Exchange. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue as at the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue on the date of offer and with an aggregate value (based on the closing price of the Company's shares at the date of the offer) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors and, commences after a certain period and, ends on a date which is not later than 10 years from the date of grant.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of grant of the share options; (ii) the average Stock Exchange closing price of the Company's share for the five business days immediately preceding the date of grant; 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.

As at the date of approval of these financial statements, the total number of shares available for issue under the Scheme is 312,383,000 shares representing 10% of the total issued ordinary share capital of the Company on that date.

No share option was granted, exercised, cancelled or lapsed under the Scheme during the years ended 31 March 2013 and 2012.

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35. RESERVES

(a) The Group

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

(b) The Company

	Share premium account HK\$'000	Capital reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2011	113,038	107,648	(279,533)	(58,847)
Placing of new shares	21,080	–	–	21,080
Transaction costs attributable to issue of shares	(630)	–	–	(630)
Loss and total comprehensive loss for the year	–	–	(36,498)	(36,498)
At 31 March 2012 and 1 April 2012	133,488	107,648	(316,031)	(74,895)
Issue of shares pursuant to conversion of convertible preference shares	75,600	–	–	75,600
Loss and total comprehensive loss for the year	–	–	(80,255)	(80,255)
At 31 March 2013	209,088	107,648	(396,286)	(79,550)

The capital reserve of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group Reorganisation in 2004, over the nominal value of the Company's shares issued in exchange therefor.

Under the Companies Law (2004 revision) of the Cayman Islands, the Company's share premium account and capital reserve may be distributed to the shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

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For the year ended 31 March 2013

36. ACQUISITION OF SUBSIDIARIES

On 27 October 2011, Capital Marks Limited, an indirectly wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Huge Leader Holdings Limited for acquisition of entire interests of the issued share capital of Huge Leader at a consideration of HK\$690,000,000, comprising issue of 7,000,000,000 convertible preference shares at HK\$0.07 each and a promissory note with a principal amount of HK\$200,000,000. The acquisition was completed on 31 March 2012. At the completion date of the transaction, the fair value of the consideration was approximately HK\$664,617,000, comprising issue of 7,000,000,000 convertible preference shares at HK\$0.07 each and a promissory note with a fair value of approximately HK\$174,617,000. The amount of goodwill arising as a result of the acquisition was approximately HK\$663,158,000.

	Acquiree's carrying amount and fair value HK\$'000
<i>Net assets acquired:</i>	
Property, plant and equipment	108
Prepayments, deposits and other receivables	493
Cash and cash equivalents	1,178
Other payables and accruals	(320)
	<hr/>
Net assets	1,459
Goodwill (Note 18)	663,158
	<hr/>
Total consideration	664,617
	<hr/>
<i>Satisfied by:</i>	
Issue of convertible preference shares	490,000
Issue of promissory note	174,617
	<hr/>
	664,617
	<hr/>
<i>Net cash inflows from acquisition:</i>	
Cash and cash equivalents acquired	1,178
Less: Consideration paid in cash and cash equivalents	–
	<hr/>
	1,178

Goodwill arose in the acquisition of Huge Leader and because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development of Huge Leader Development Limited. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

No profit or loss was attributable to Huge Leader and its subsidiaries ("Huge Leader Group") for the year ended 31 March 2012. No revenue was generated by Huge Leader Group for post-acquisition period up to end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

36. ACQUISITION OF SUBSIDIARIES *(Continued)*

Had these business combinations been effected on 1 April 2011, the revenue of the Group would have been approximately HK\$28,754,000, and the loss for the year would have been approximately HK\$46,019,000 for the year ended 31 March 2012. The pro forma financial information is for illustrative purposes only and is not necessarily an indication of revenue and results of the Group that actually would have been completed on 1 April 2011 nor is it intended to be a projection of future profits.

37. DISPOSAL OF SUBSIDIARIES

- (a) On 28 February 2013, the Group disposed of its equity interest in Top Asian Limited to Joint Winner Limited at a consideration of HK\$100,000. The disposal of Top Asian Limited was completed on 28 February 2013.

Analysis of assets and liabilities over which control was lost:

	HK\$'000
Property, plant and equipment	484
Accounts receivable	558
Prepayments, deposits and other receivables	1,628
Cash and bank balances	31
Accounts payable	(187)
Other payables and accruals	(6,976)
Tax payable	(47)
Net assets disposed of	(4,509)
Gain on disposal of subsidiary:	
Consideration received	100
Non-controlling interests derecognised	18,856
Cumulative exchange difference in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of a subsidiary	2,465
Net liabilities disposed of	4,509
Gain on disposal	25,930
Net cash inflow on disposal of a subsidiary:	
Consideration received in cash and cash equivalents	100
Less: cash and cash equivalents disposed of	(31)
	69

For the period from 1 April 2012 to the date of disposal, Top Asian Limited and its subsidiaries (the "Disposal Group") were engaged in provision of rail transit value-added services through LCD displays located at the ticketing office of each station in the PRC. The turnover contributed by the Disposal Group was approximately HK\$258,000 and loss of approximately HK\$3,598,000 was recognised in the Group's loss for the year ended 31 March 2013.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

37. DISPOSAL OF SUBSIDIARIES (Continued)

- (b) On 11 October 2011, the Group disposed of its equity interest in Jinjiang Wing Hong to Keen Honour International Limited at a consideration of approximately RMB8,760,000 (equivalent to HK\$10,735,000). The disposal of Jinjiang Wing Hong was completed on 19 October 2011.

Analysis of assets and liabilities over which control was lost:

	HK\$'000
Property, plant and equipment	13
Amounts due from customers for contract work	91
Accounts receivable	1,093
Prepayments, deposits and other receivables	2,885
Cash and bank balances	11,377
Amounts due to customers for contract work	(6,572)
Other payables and accruals	(37)
Tax payable	(80)
Net assets disposed of	<u>8,770</u>
Gain on disposal of subsidiary:	
Consideration received	10,735
Sales loans	(4,307)
Goodwill derecognised	(1,810)
Non-controlling interests derecognised	2,832
Cumulative exchange difference in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of a subsidiary	2,912
Net assets disposed of	<u>(8,770)</u>
Gain on disposal	<u>1,592</u>
Net cash inflow on disposal of a subsidiary:	
Consideration received in cash and cash equivalents	6,428
Less: cash and cash equivalents disposed of	<u>(11,377)</u>
	<u>(4,949)</u>

For the period from 1 April 2011 to the date of disposal, Jinjiang Wing Hong was engaged in provision of renovation works in the PRC. The turnover contributed by Jinjiang Wing Hong were approximately HK\$14,241,000 and profit of approximately HK\$1,293,000 was recognised in the Group's loss for the year ended 31 March 2012.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

38. CONTINGENT LIABILITIES

- (a) On 7 August 2002, a High Court action had commenced by a subcontractor against a subsidiary of the Company in respect of (i) a claim of subcontracting fees and material costs of approximately HK\$31,300,000; and (ii) a compensation claim of approximately HK\$191,200,000 for the improper termination of a subcontracting contract. On 13 September 2002, an agreement was reached between the subsidiary of the Group and the subcontractor that the High Court action was withdrawn and all the disputes between the parties relating to this action were referred to arbitration. In the statement of claim for the arbitration, the subcontractor revised the claim of subcontracting fees and material costs and compensation claim to approximately HK\$42,600,000 and HK\$84,400,000, respectively. On 9 July 2005, a writ of summons was issued and the proceedings were transferred to the Court of First Instance. The subcontractor further revised the claim of subcontracting fees and material costs and compensation claim to approximately HK\$56,000,000 and HK\$278,100,000 respectively.

As at the date of approval of these consolidated financial statements, no decision had been made in the arbitration and court proceedings. In the opinion of the directors, based on legal advice, the subsidiary of the Company has valid defences, against such claims and any resulting liabilities would not have any probable material adverse impact on the Group's financial position. Therefore, no provision in respect of such claims was made in the consolidated financial statements.

- (b) On 26 July 2005, a High Court action was commenced by a subcontracted party of a subcontractor of the Group (the "Subcontracted Party") against a subsidiary of the Company and the subcontractor, which is in liquidation, in respect of a claim of subcontracting fees and material costs of approximately HK\$20,500,000 relating to a maintenance term contract. On 25 April 2006, the Subcontracted Party substantially revised its statement of claim and the total amount of claim was revised to approximately HK\$14,241,000.

In the opinion of the directors, based on legal advice, the subsidiary of the Company has valid defences against such claims and any resulting liabilities would not have any probable material adverse impact on the Group's financial position. Therefore, no provision in respect of such claims was made in the consolidated financial statements.

- (c) On 26 October 2010, a subsidiary of the Company received a statement of claim from a subcontractor in respect of a claim against the subsidiary of the Company in respect of the construction project at No. 60 Victoria Road project. The amount of claim was approximately HK\$204,000 and no counterclaim at present. On 4 January 2012, the arbitrator ordered that the amount of recoverable legal costs should be limited at the sum of HK\$310,000.

As at the date of approval of these consolidated financial statements, no decision has been made in the arbitration. In the opinion of the directors, based on legal advice, since the amount of resulting liabilities would not have any probable material adverse impact on the Group's financial position, therefore, no provision in respect of such claims was made in the consolidated financial statements.

Saved as disclosed above and elsewhere in the consolidated financial statements, as at 31 March 2013, the Group and the Company had no other material contingent liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

39. OPERATING LEASE COMMITMENTS

The Group leases office premises under operating lease arrangements, with leases negotiated for terms ranging from one to two years.

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	The Group	
	2013	2012
	HK\$'000	HK\$'000
Within one year	139	286
In the second to fifth years, inclusive	58	–
	197	286

40. CAPITAL COMMITMENTS

	The Group	
	2013	2012
	HK\$'000	HK\$'000
Capital commitments for the capital injection to a subsidiary contracted but not provided for	–	84,942

41. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the year:

(a) Key management personnel

Remuneration for key personnel management, including amount paid to the Company's directors and certain of the highest paid employees, as disclosed in Notes 11 and 12, are as follows:

	The Group	
	2013	2012
	HK\$'000	HK\$'000
Salaries and other short-term employee benefits	1,135	2,098

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

41. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

- (b) As at 31 March 2013, shareholders' loans amounting to approximately HK\$40,722,000 (2012: HK\$39,240,000) and HK\$400,000 (2012: HK\$5,280,000) were granted by two shareholders of the Company, Rich Place and Million Honest, respectively. The terms of the shareholders' loans are included in Note 30 to the consolidated financial statements.

42. NON-CASH TRANSACTIONS

- (a) During the year ended 31 March 2013, amount due to Mr. Hui Chi Yang, Samson of HK\$4,354,000, amount due to Mr. Hui Chi Yung of HK\$1,625,000 and amount due to Ms. Chu Yuen Lam of HK\$2,772,000 were assigned to Rich Place, a shareholder of the Company.
- (b) During the year ended 31 March 2013, loan from a shareholder of HK\$1,850,000 was capitalised as reserves of the Company.
- (c) On 27 October 2011, the Group acquired the entire issued share capital of Huge Leader Development Limited and its subsidiaries at an aggregate consideration of HK\$690,000,000. At the completion date of the acquisition, the fair value of the consideration was approximately HK\$664,617,000. The consideration of approximately HK\$490,000,000 and HK\$174,617,000 were satisfied by the Company's preference shares and issue of promissory note respectively.

43. EVENTS AFTER THE REPORTING PERIOD

On 22 April 2013, the Company entered into the placing agreement (the "Placing Agreement") with Pacific Foundation Securities Limited (the "Placing agent") whereby the Company conditionally agreed to place, through the Placing Agent, on a best effort basis, a maximum of 150,000,000 placing shares (the "Placing Shares") to not less than 6 independent placees at a price of HK\$0.34 per placing share. The completion of the placing took place on 4 June 2013, whereby a total of 88,200,000 Placing Shares were successfully placed by the Placing Agent to not less than six placees at the placing price pursuant to the terms and conditions of the Placing Agreement. Further details were set out in the announcements of the Company dated 22 April 2013 and 4 June 2013 respectively.

44. AUTHORISATION FOR ISSUE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 27 June 2013.

Summary Financial Information

For the year ended 31 March 2013

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

RESULTS

	Year ended 31 March				
	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000	2009 HK\$'000
Turnover	6,677	28,754	47,232	147,684	108,038
Loss from operating activities	(73,044)	(44,104)	(26,382)	(89,434)	(72,671)
Finance costs	(17,793)	(1,046)	(258)	(1,997)	(3,641)
Loss before taxation	(90,837)	(45,150)	(26,640)	(91,431)	(76,312)
Taxation	(78)	(329)	–	(255)	22
Loss for the year	(90,915)	(45,479)	(26,640)	(91,686)	(76,290)
Attributable to:					
– Owners of the Company	(89,881)	(41,150)	(21,534)	(87,310)	(73,827)
– Non-controlling interest	(1,034)	(4,329)	(5,106)	(4,376)	(2,463)
	(90,915)	(45,479)	(26,640)	(91,686)	(76,290)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 March				
	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000	2009 HK\$'000
Total assets	586,686	725,096	89,634	171,028	281,002
Total liabilities	(228,104)	(256,501)	(85,483)	(144,560)	(163,097)
Non-controlling interests	–	(19,882)	(26,082)	(29,740)	(34,116)
Net assets/(liabilities)	358,582	448,713	(21,931)	(3,272)	83,789

Note: The consolidated results of the Group for the year ended 31 March 2009, 2010, 2011, 2012 and 2013 are those set out in 2012 annual report and this annual report.