XINHUA NEWS MEDIA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 309

ANNUAL REPORT 2012/2013

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Executive Directors

Ju Mengjun *(Co-chairman)*
Lo Kou Hong *(Co-chairman)*
Chang Loong Cheong
Meng Jin
Shi Guoxiong
Zhou Guanghe

Independent Non-executive Directors

Xu Rong
Xu Zhijuan
Tang Binfeng
Wang Qi

AUDIT COMMITTEE

Xu Zhijuan *(Chairman)*
Xu Rong
Tang Binfeng

REMUNERATION COMMITTEE

Xu Zhijuan *(Chairman)*
Xu Rong
Tang Binfeng

NOMINATION COMMITTEE

Ju Mengjun *(Chairman)*
Xu Zhijuan
Tang Binfeng

STRATEGY AND DEVELOPMENT COMMITTEE

Chang Loong Cheong *(Chairman)*
Zhou Guanghe
Xu Zhijuan
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EXECUTIVE COMMITTEE

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

CORPORATE GOVERNANCE COMMITTEE

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

COMPANY SECRETARY

Kwong Yin Ping, Yvonne

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

SOLICITORS

Troutman Sanders

REGISTERED OFFICE

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Grand Cayman
KY1-1104
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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5 Sharp Street West
Wan Chai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor
Royal Bank House
24 Shedden Road
PO Box 1586
Grand Cayman
KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

Dah Sing Bank, Limited

STOCK CODE

309

COMPANY'S WEBSITE

www.XHNmedia.com

CO-CHAIRMEN'S STATEMENTS

Our Information,
your competence

Dear Shareholders,

As Co-chairman of Xinhua News Media Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), I have been working closely with the Group's management and committed in promoting the Group's new media business.

In 2012, the Group's high-quality media programmes broadcasted at the departure hall of the MTR Corporation Limited Hung Hom Train Station, on Ktt through trains and at departure gates in the Hong Kong International Airport have been well received and acclaimed by railway and air travelers. However, advertising customers have not increased substantially and therefore the business has not brought revenue to the Company as expected. The management has actively responded in stepping up the promotional effort to increase advertising business.

One of the Group's core businesses will still be broadcasting information and advertisements through indoor/outdoor screen terminals, and it remains committed to establishing electronic screens in prosperous cities of more countries and regions at the same time. Therefore, the Group will actively expand its advertising business in the coming year by capitalising on the existing screens as well as the advantage the network of the screens planned to be built, in order to fully realise the market potential of new media. Looking ahead, our management will continue their efforts to enlarge customer base and contribute to the Group.

Despite a challenging future, opportunities are self-evident. I am prudently optimistic of the prospects of the Group, and I strongly believe that the management of the Group is determined to, and capable of, taking advantage of the potential value of new media.

I would like to take this opportunity to sincerely thank the Group's shareholders for their unwavering support, and to express gratitude to the other fellow Directors and the management of the Group for their selfless dedication and efforts in difficult times.

Ju Mengjun
Co-chairman

Hong Kong, 28 June 2013

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

Dear Shareholders,

The external environment is still unstable in the past year under review. Fundamentals of advanced economies are still weak. Though the United States has made progress in tackling its fiscal problem, its economic recovery, however, remains slow and fragile. In Europe, economic stagnation is expected to continue in some major Eurozone economies.

On the other hand, the economy in Mainland China has resumed faster growth. Its economic growth for 2013 has been revised upward to 8.14% by the World Bank. As the gateway to the Mainland China, Hong Kong stands to benefit from the financial healthiness of our motherland.

Earlier this year, there was a mass influx of funds into the residential property market even though prices were at historic high. To curb home property prices soaring and to combat short term resale activities, the government has launched more stringent measures by imposing, on top of the ad valorem stamp duty, a special stamp duty on certain transactions. So far as can be observed, the tightening measures have attained some cumulative effects.

Responding to the appeals mainly from the labour sector, the Standard Working Hours Committee has been set up by the government to provide a platform for the community to carry out an informed discussion on working hours with a view to building and identifying the way forward.

The statutory minimum wage rate has been revised from HK$28.00 to HK$30.00 per hour since 1 May 2013. The revision is pushing up the labour wages further as a ripple effect. Notwithstanding the revision, the service sectors are still facing problems in recruiting labour and keeping them on the job. The phenomenon attributes to, firstly, the record-low unemployment rate and, secondly, the ageing population, as opined by some analysts. With the increased interaction between the Group and our employees which leads to a shared identity, common goals and objectives and a decrease in distrust, we have been able to reduce the negative impact and maintain a steady workforce with below norm turnover rates.

It is our firm belief that sustainable growth is built on continued innovation. We cannot afford standing still in this highly competitive world. Since early last year, the Group has been diversifying its business to the specialised area of food waste treatment in Hong Kong to bask in the rising awareness and demand for environmental protection, paving way to a greener living environment for ourselves and for our future generations. The progress is encouraging.

Last but not least, I would like to extend my gratitude to our shareholders for their continued support, to my fellow directors for their invaluable contributions and to our staff for their untiring and loyal services over the past year.

Lo Kou Hong
Co-chairman

Hong Kong, 28 June 2013

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

The turnover of Xinhua News Media Holidings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") from continuing operations for the year ended 31 March 2013 amounted to approximately HK$205,503,000 (2012: HK$193,471,000), represented 6.2% increase as compared to the previous year. The loss of the Group from continuing operations was approximately HK$53,782,000 (2012: HK$34,334,000). Cleaning and related services business made a profit of approximately HK$4,729,000, the medical waste treatment business made a profit of approximately HK$1,844,000, the management consulting services made a profit of approximately HK$828,000 and the television screen broadcast business made a loss of approximately HK$25,113,000 of which approximately HK$15,129,000 was from the amortisation for the intangible asset related to the granting of the free right by Xinhua News Agency Asia-Pacific Regional Bureau Limited ("APRB") for the television screen broadcast business under the cooperation agreement entered into by APRB and the Company on 22 November 2010 (the "Cooperation Agreement"). As the performance of the television screen broadcast business was worse than expected, an impairment loss of the free right approximately HK$28,327,000 was recognised.

The discontinuation of the operation of the municipal waste treatment plant was located in Shuyang County, Jiangsu Province, People's Republic of China (the "PRC"). Total loss from the discontinued operation for the year ended 31 March 2013 was approximately HK$2,313,000.

FINANCIAL REVIEW

As at 31 March 2013, the Group's cash and cash equivalents and pledged time deposits totalled approximately HK$72,705,000 (2012: HK$79,564,000) and its current ratio (excluded the discontinued operation) was 4.64 (2012: 4.71). The Group's net assets were approximately HK$260,968,000 (2012: HK$271,137,000).

As at 31 March 2013, the Group did not have any bank borrowings, but the Group had a finance lease payable and loans from a director of approximately HK$109,000 and approximately HK$10,650,000 respectively (2012: HK$157,000 and HK$9,351,000); and therefore, its gearing ratio representing ratio of a finance lease payable and loans from a director to shareholders' equity was 4.1% (2012: 3.5%). The Group's shareholders' equity amounted to approximately HK$260,968,000 as at 31 March 2013 (2012: HK$271,137,000).

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

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

As at 31 March 2013, the Group's banking facilities were secured by the pledge of certain of the Group's time deposits amounting to approximately HK$10,022,000 (2012: HK$4,001,000).

BUSINESS REVIEW

In spite of the fierce competitions in the cleaning and related services field, demand over supply in the labour market and increasing labour costs, the Group was able to maintain steady growth in the past year under review.

In addition to renewing the two warewash and general cleaning contracts with one of the biggest flight kitchens, the Group was able to obtain a third contract from this business partner for providing commissary services (sorting and packing of reading articles, magazines and head phones etc.) in aircrafts.

In the fourth quarter of 2012, the Group entered into a 2-year contract with a prominent property developer to provide initial and day-to-day comprehensive cleaning to their brand new office building next to the West Rail Tsuen Wan Station.

Various major contracts, including those in connection with several Grade-A office/commercial buildings and complexes in Central, Admiralty and Quarry Bay, were renewed from one year to three years with reasonable adjustments in the contract prices to make provisions for labour cost increases as a result of the ripple effect of the statutory minimum wage rate revision.

The Group has commenced its external wall cleaning services since the early nineties by using "Sparkling", an effective external wall cleaning agent formulated and uniquely brand named by the Group. Following the satisfactory completion of a project of a multi-storied residential estate in Tin Hau, the Group was able to obtain and complete another external wall cleaning contract of a top-notch residential development up on the Peak. In this project, various unprecedented difficulties, such as high wind blowing in gusts, vast landscaped areas to be taken care of, had to be resolved and overcome. The project was completed to the satisfaction of the property owners well on schedule.

The series of stone maintenance and restoration products, some of which were specially formulated and manufactured by our European business partner for Asian markets, continued to earn recognition. Sales of the products were on the upward trend.

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

As mentioned previously, the Group was engaged in negotiation with an independent state-owned enterprise regarding the Group's investment in a waste treatment plant in Shuyang County, Jiangsu Province. The negotiation is still continuing.

For the television screen broadcast business, specially produced news programs including finance, sports, entertainment and lifestyle run smoothly on through trains operated by the MTR running from Guangzhou East and Hong Kong and at the MTR Hung Hom Departure Hall. In addition, the Group has officially launched the television programs broadcasting on selected television screens at departure gates in the Hong Kong International Airport ("HK Airport") since 12 December 2012.

During the year 2012, the Group has also reached several agency agreements with advertising agents in both Mainland China and Hong Kong. It is expected that these arrangements would help to enlarge the client base of the television screen broadcast business and hence, open up an additional source of advertising revenue. In addition, the Group has endeavoured to approach media agents to discuss cooperation in sharing television screen resources to increase broadcasting channels and reducing capital investment costs.

According to the Cooperation Agreement, APRB has undertaken that the audited operating revenue derived from the television screen broadcast business for the year ended 31 December 2011 and 31 December 2012 would be no less than HK$30,000,000 and HK$100,000,000, respectively and to pay compensation to the Company in the event any part of the undertaking cannot be fulfilled. Negotiations with APRB on remedial actions is on-going. Such negotiation is currently focused on how the compensation shall be calculated on a fair and reasonable basis given that the Cooperation Agreement contains no provision for determining the relevant amount. At this point the Company and APRB are discussing and evaluating the possibility and appropriateness of various options, including, without limitation, engaging a professional valuer for the assessment of the relevant economic damages. Further professional assistance has been sought in this relation including legal advice on the appropriateness of various remedial considerations. Appropriate announcement will be made when an agreement has been reached.

Following the acquisition of the Pan Asia Century Holdings Limited ("PAC Holdings") and its subsidiaries (collectively referred to as the "Pan Asia Group") in the second half of 2012, the Group has a new business of investment management and consulting services, management solutions for hospitals and sales of medical equipment. For the year ended 31 March 2013, the Group has recorded a gain of approximately HK$652,000 from this business segment.

PROSPECTS

Cleaning and related services

The road of the cleaning service sector remains bumpy. Labour shortage is expected to persist in the coming year.

Given the Group's well established and developed employer-and-employee relations with a turnover rate below industry norm and our good track records in reducing accidents and work injuries, we have been able to overcome the hurdles in the past year and are optimistic that the Group would be able to maintain a stable and trust-worthy labour force to fulfill our contractual obligations.

Over the past years, most of the food waste has been mixed with other rubbish for disposal at landfills. Of late, the government has launched a "Food Waste Recycling Scheme in Housing Estates" and is giving funding support to the participating estates. The food waste-turned-compost generated is used for landscaping, greening and planting activities. In response to the scheme, more and more estates are taking part.

The Group has matured experience and technology in this field and has been sharing our knowledge with our housing estate customers, other voluntary associations and schools. We shall continue to take an active role and plan to extend our sharing and services in this regard to our customers in shopping malls, food courts, commercial complexes in the coming years.

Television screen broadcast business

In 2012, the Group formulated defined developmental direction and objectives for the television screen broadcast business. A framework for sales network has been established and targeted sales partners identified. The Group has also begun working with several advertising agents based in Mainland China and Hong Kong, enjoying a better connection to customers and a better focus on business with Chinese enterprises.

The Group is contemplating to expand the news programs broadcast coverage to PRC train station departure halls as well as on trains. The Group has identified certain train stations and train service providers and has started negotiations. There are plans to continue seeking out more suitable train stations and train service providers.

After the successful launch of the television screen broadcasting at HK Airport, the Group begins to focus on securing sponsorship on television programs production. The Group is confident that this new development will enhance the Group's profitability and improve our branding image to international customers and consumers.

The Group is in an advanced stage of negotiation with a property owner in Central District for media broadcasting on an outdoor LED video wall. It is anticipated to launch the broadcasting service in the second half of 2013.

In 2013, the Group has considered other opportunities to expand the broadcasting business. In addition to the television screen broadcast business, the Group is diversifying into other media broadcasting medium, such as the internet and advertising billboards, which are expected to broaden the income source of the Group.

The Group is negotiating with certain media companies in Taiwan regarding potential cooperation. The cooperation is expected to begin with the exchange and sharing of resources, followed by exploring the possibility of setting up partnership or other form of enhanced relationship.

The Group is also discussing with companies in the PRC regarding the possible formation of strategic cooperation relationship in the online media advertisement business.

Management consulting services

Shanghai GoalReal Investments Advisory Company Limited (formerly known as Shanghai GoalReal Hospital Investment Management Limited) ("GoalReal"), an indirect subsidiary of the Company is involved in management consulting services in the PRC. GoalReal has been deploying resources and efforts to strengthen its performance. The Group intends to further explore different business opportunities in the PRC medical equipment and hospital management service markets, such as exploring the possibility of obtaining the exclusive right to distribute certain medical equipment in the PRC and participating in the management services and operation of PRC hospitals.

WARRANTS

(i) Warrants placed on 18 March 2011

On 18 March 2011, an aggregate of 30,600,000 unlisted warrants had been successfully placed by the Company to not less than six placees who were third parties independent of and not connected to the Company and its connected persons, at the issue price of HK$0.01 per warrant and the subscription price of HK$0.70 per warrant. The subscription period for the warrants was from the date of issue of the warrants to the expiry, which was 18 months from the issue of the warrants. Upon the exercise in full of the subscription rights attached to the warrants, a maximum of 30,600,000 shares of the Company would have been issued and allotted.

During the year, no warrant had been exercised and the remaining 30,600,000 unlisted warrants at the issue price of HK$0.01 each expired. The related warrant reserve of HK$306,000 was transferred to accumulated losses.

(ii) New shares and warrants placed on 3 May 2011

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

On 3 May 2011, an aggregate of 45,900,000 unlisted warrants had been successfully placed by the Company to not less than six placees who were third parties independent of and not connected to the Company and its connected persons, at the issue price of HK$0.01 per warrant and the subscription price of HK$0.70 per warrant. The subscription period for the warrants was from the date of issue of the warrants to the expiry, which was 18 months from the issue of the warrants. Upon the exercise in full of the subscription rights attached to the warrants, a maximum of 45,900,000 shares would have been issued and allotted.

During the year, no warrant had been exercised and the remaining 45,900,000 unlisted warrants at the issue price of HK$0.01 each expired. The related warrant reserve of HK$459,000 was transferred to accumulated losses.

MATERIAL ACQUISITIONS

On 29 August 2012, a wholly-owned subsidiary of the Company, Ally Thrive Investments Limited ("Ally Thrive") entered into an agreement with Pan Asia Century Consulting Limited ("PAC Consulting"), an independent third party to acquire all the issued shares of and a shareholder's loan of approximately HK$22,140,000 in PAC Holdings. PAC Holdings was incorporated on 23 April 2012 in the British Virgin Islands with limited liability, whose principal business is investment holding. PAC Holdings owns the entire issued share capital of Pan Asia Century Investments Limited ("PAC Investment") which holds 51% of the entire equity interest in GoalReal.

The total consideration HK$41,000,000 was settled by the issue of 135,387,000 new shares of the Company at HK$0.2142 per share and the balance in cash. The total consideration is subject to adjustment if the actual net profit of the Pan Asia Group for the 12-month period commencing from the completion date falls below HK$10,000,000, in which case PAC Consulting shall pay to the Group an amount calculated as: (HK$10,000,000 – actual net profit) x 51%. The acquisition was completed on 24 September 2012.

GoalReal has expanded its scope of business at the end of 2012 and is now principally engaged in (i) investment management and consulting service, (ii) the provision of management solutions for hospitals, and (iii) sales of medical equipment.

CONTINGENT LIABILITIES

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

(a) The Group has executed performance guarantees to the extent of an aggregate amount of approximately HK$4,838,000 (2012: HK$3,746,000) in respect of certain services provided to various customers by the Group.

(b) The Group had a contingent liability in respect of possible future long service payments to employees under the Employment Ordinance, with a maximum possible amount of approximately HK$2,830,000 as at 31 March 2013 (2012: HK$2,912,000). The contingent liability has arisen because, at the end of the reporting period, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A provision of approximately HK$1,510,000 (2012: HK$1,531,000) in respect of such payments has been made in the condensed consolidated statement of financial position as at 31 March 2013.

(c) During the ordinary course of its business, the Group may from time to time be involved in litigation concerning personal injuries sustained by its employees or third party claimants. The Group maintains insurance cover and, in the opinion of the directors of the Company (the "Directors"), based on current evidence, any such existing claims should be adequately covered by the insurance as at 31 March 2013 and 2012.

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees of the Group as at 31 March 2013 was 1,519 (2012: 1,579). Total staff costs, including directors' emoluments and net pension contributions, for the year under review amounted to approximately HK$164,525,000 (2012: HK$165,984,000). The Group provides employees with training programmes to equip them with the latest skills.

Remunerations are commensurate with individual job nature, work experience and market conditions, and performance-related bonuses are granted to employees on discretionary basis. The share option scheme (the "Scheme") adopted by the Company on 24 April 2003 has expired on 23 April 2013. No further share options would be granted under the Scheme, but share options previously granted shall remain in full force and effect in all other respects.

BIOGRAPHICAL INFORMATION OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Ju Mengjun, aged 56

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

Dr. Lo Kou Hong, aged 70

Dr. Lo Kou Hong ("Dr. Lo") is the founder of the Group, the Co-chairman of the Board and an Executive Director of the Company. Dr. Lo is also a director of certain subsidiaries of the Company. Prior to establishing Lo's Cleaning Services Limited in 1978, Dr. Lo served as a manager at a local property management company. He was appointed as a vice president of the Friends of Scouting in 2001. He was awarded an honorary doctorate degree in Business Management in 2003 by Burkes University in Turks & Caicos Islands in the British West Indies.

Mr. Chang Loong Cheong, aged 66

Mr. Chang Loong Cheong ("Mr. Chang") is an Executive Director, the chairman of the strategy and development committee, a member of the executive committee and the corporate governance committee of the Company. He is also a director of various wholly-owned subsidiaries of the Company. Mr. Chang joined the Company in September 2011. He has extensive experience in formulating strategies, identifying and capturing solid investment opportunities with focus on planning and developing solutions for complex issues. He has been involved in numerous substantial business negotiations and had led many project teams to execute on opportunities and successfully expand into new territories. Mr. Chang has previously served as a director of, and held senior positions in several renowned enterprises including companies listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), New York Stock Exchange and Shanghai Stock Exchange. Mr. Chang currently acts in a senior advisory capacity to the boards of certain listed companies in the information network technologies and telecommunications infrastructure industries. He also holds directorships in several private companies in the property investment, hotel management and new energy sectors.

Mr. Meng Jin, aged 36

Mr. Meng Jin ("Mr. Meng") is an Executive Director, and a member of the executive committee and the corporate governance committee of the Company. Mr. Meng is also a director of Xinhua News Media Limited, a wholly-owned subsidiary of the Company. He joined the Company in October 2011. Mr. Meng previously served as deputy general manager of Shanghai GoalReal Hospital Investment Management Limited and a member of the management team of several large corporations such as Hutchison Whampoa Shanghai Westgate Mall, Chang Zhou Able Garments Company Limited, China Jin Mao Group etc.. After the reporting period, Mr. Meng has resigned as deputy general manager of Xinhua News Media Limited. Mr. Meng holds a bachelor's degree in Business Administration from Fontys Hogescholen (Fontys University of Applied Sciences) and a Master of Business Administration from Maastricht Hotel Management School of Hogeschool Zuyd (Zuyd University of Applied Sciences). During the year, Mr. Meng was appointed as a vice president of the administration and human resources of a bio-medical technology company in Shanghai and he is mainly responsible for matters related to personnel management and administrative work.

Mr. Shi Guoxiong, aged 65

Mr. Shi Guoxiong ("Mr. Shi") is an Executive Director and a member of the corporate governance committee of the Company. He joined the Company in October 2011. Mr. Shi graduated from the Department of Chinese of Harbin Normal University. He is currently a consultant of China Industrial Economy Newspaper; vice-president of Chinese Press Association; vice-president of China Western Research and Development Promotion Association. Mr. Shi previously served as a standing committee member of the 13th Central Committee of the Communist Young League; Secretary of the Party Committee, deputy chief editor, and vice-president of China Youth Daily; secretary of Party Committee and president of China Youth Magazine; president of China Business Times Newspaper; an executive committee member and party committee member of The National Federation of Industry and Commerce; Secretary of Party Committee and president of the Chinese Children Press and the director of the 1st and 2nd term Committee of the China Overseas Friendship Association. After the reporting period, Mr. Shi will be re-designated as chairman of the corporate governance committee on 15 July 2013.

Mr. Zhou Guanghe, aged 42

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Xu Rong, aged 49

Mr. Xu Rong ("Mr. Xu") is an Independent Non-executive Director, a member of the audit committee, the remuneration committee and the executive committee of the Company. He joined the Group in June 2010. Mr. Xu graduated from East China University of Political Science and Law in Shanghai and also obtained a Bachelor's Degree in Economic Management from PLA Air Force Political Academy in Nanjing. He was an assistant fact-finder for the Procuratorate of Sanming City, Fujian between 1985 and 1990 and subsequently appointed as the deputy director of fact-finder for the Procuratorate of Pudong New Area, Shanghai between 1991 and 2001. Mr. Xu resigned from the latter position in 2002. Since then, he has been actively engaged in business activities and has set up various companies. He is currently the general manager of Shanghai Huahe Binjiang Property Company Limited and Shanghai Jiuhe Storage Company Limited, as well as the president of Sufan Catering Management Company Limited. Mr. Xu has been re-designated from a Non-executive Director to an Independent Non-executive Director on 28 December 2012.

Ms. Xu Zhijuan, aged 32

Ms. Xu Zhijuan ("Ms. Xu") is an Independent Non-executive Director, chairman of the audit committee and the remuneration committee and a member of the executive committee, the strategy and development committee, the nomination committee and the corporate governance committee of the Company. She joined the Group in November 2011. Ms. Xu holds a Bachelor's degree in Business Administration (International Accounting) from Shanghai University of Finance and Economics. Ms. Xu is a certified public accountant in China and a member of the Chinese Institute of Certified Public Accountants. Ms. Xu was finance manager and deputy in charge of the group's financial and accounting management of ASC Fine Wines Company Limited ("ASC") and was responsible for overseeing the financial operations and performance in the Greater China Region and leading the internal audit function of the company and its subsidiaries. Prior to joining ASC, Ms. Xu worked for PricewaterhouseCoopers in China for many years and has significant professional experience in auditing, taxation, accounting and financial management. During the year, Ms. Xu was admitted a fellow of the Association of Chartered Certified Accountants; she has also left ASC and joined a private business consulting group as chief finance officer.

Mr. Tang Binfeng, aged 43

Mr. Tang Binfeng ("Mr. Tang") is an Independent Non-executive Director, a member of the audit committee, the remuneration committee, the nomination committee and the strategy and development committee of the Company. He joined the Group in November 2011. During the reporting period, Mr. Tang was appointed as director of the general office of Unitax (Shanghai) Certified Tax Agent Company Limited and he ceased to act as deputy general manager of Qingdao Zhenqing Certified Public Accountants Company Limited, Shanghai Branch. He has previously served various senior management positions in companies in China.

Mr. Wang Qi, aged 58

Mr. Wang Qi ("Mr. Wang") is an Independent Non-executive Director. He joined the Group in August 2006. Mr. Wang is currently a director of Jingneng Property Company Limited (a company listed on the Shanghai Stock Exchange), engaging in property development in Beijing. He is also the general manager of Tian Chuang Science and Technology Development Company Limited, engaging in investment of technologically related businesses. Mr. Wang is a qualified senior engineer and has over 20 years of experience in business management. He was a senior investment manager of China Commercial Construction Development Company from 1989 to 2000 and was responsible for the investment and listing projects of various companies in Mainland China. Mr. Wang also served as an executive officer to manage some of the investment projects of Regal Hotels International from 1997 to 2000 and New World Group from 1993 to 2000 in Mainland China. In addition, Mr. Wang has devoted himself in developing the business connection and communication between Hong Kong and Mainland China in the field of business management and investment.

CORPORATE GOVERNANCE REPORT

The board of directors (the "Board") of Xinhua News Media Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") recognises the vital importance of good corporate governance to the Group's success and sustainability. Corporate governance practices would be reviewed from time to time to ensure compliance with the regulatory requirements and to meet the rising expectations of shareholders and investors relating to transparency and accountability of all its operations.

In the opinion of the Board, the Company has complied with all the code provisions set out in the Corporate Governance Code (the "CG Code") in Appendix 14 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). throughout the year under review, save for the deviations as set out below:

Code Provision A.2.1

Code A.2.1 requires the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have any officer with the title of "chief executive officer". Mr. Ju Mengjun and Dr. Lo Kou Hong each holds the office of chairman and are also responsible for overseeing the general operations of the television screen broadcast business and the cleaning and related business, respectively. The Board considers that the arrangement is appropriate to the Group's dual business model and maintains consistent leadership, thereby enabling the Group to operate promptly and effectively.

Code Provision A.6.7

Code Provision A.6.7 requires independent non-executive directors and non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders. Three Independent Non-executive Directors were unable to attend the annual general meeting of the Company held on 29 September 2012 due to their other commitments.

BOARD OF DIRECTORS

Responsibilities

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

The day-to-day management, administration and operation of the Company are delegated to the Executive Directors and management of the Company. The delegated functions and work tasks are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers. The Board has the full support of the management of the Company to discharge its responsibilities. Information and updates of the Company's performance and position are given to all Directors in a timely manner to enable the Directors to discharge their duties.

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

The Company has arranged appropriate insurance cover in respect of legal actions against its Directors.

Board Composition

As at the date of this annual report, the Board consists of seven Executive Directors and four Independent Non-executive Directors.

Changes in the composition of the Board and Board Committees during the year ended 31 March 2013 and up to the date of this annual report were as follows:

- Mr. Xu Rong was re-designated from a Non-executive Director to an Independent Non-executive Director on 28 December 2012.
- Mr. Xu Zugen resigned as an Executive Director and a member of the Strategy and Development Committee on 22 June 2013.
- Mr. Mao Hongcheng has tendered his resignation as an Executive Director, Chairman of the Corporate Governance Committee and a member of the Executive Committee, effective from 15 July 2013.

The names and profiles of the Directors are disclosed under the section headed "Biographical Information of Directors" in this annual report.

The composition of the Board reflects the necessary balance of skills and experience appropriate to the requirements of the business of the Company and to the exercising of independent judgment. Directors have given sufficient time and attention to the affairs of the Group. All Directors, including Independent Non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent Non-executive Directors have been invited to serve on the different Board Committees to monitor observance of corporate governance objectives, take lead where potential conflicts arise and to contribute to the development of the Company's strategy and policies.

In order to comply with the new Rule 3.10A of the Listing Rules that the number of independent non-executive directors must represent at least one-third of the board, Mr. Xu Rong has been re-designated from a Non-executive Director to an Independent Non-executive Director with effect from 28 December 2012. Notwithstanding that Mr. Xu Rong was a Non-executive Director prior to his re-designation, Mr. Xu Rong was not involved in any active management role or function in the Company. The Board considers that Mr. Xu Rong satisfies the independence criteria to act as an Independent Non-executive Director.

The Company has received from each Independent Non-executive Director a written annual confirmation of independence pursuant to the independence guidelines under Rule 3.13 of the Listing Rules. The Company considers all Independent Non-executive Directors to be independent.

Chairman and Chief Executive Officer

Mr. Ju Mengjun and Dr. Lo Kou Hong act as Co-chairmen of the Board and each has assumed the roles of chairman and chief executive officer of the respective television screen broadcast business and cleaning services business which they are responsible.

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

Appointment, Re-election and Removal of Directors

Dr. Lo Kou Hong, a Co-chairman and Executive Director, has a service contract with the Company which will continue unless and until terminated by either party by not less than six months' written notice. With effect from 29 September 2012, the term of service of all the other Executive Directors has been changed from one or two years to continuous and the term of service of all the Independent Non-executive Directors has been changed to three years.

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's Articles of Association. All Directors are subject to retirement by rotation at least once every three years and are eligible for re-election at the annual general meeting of the Company. Any new director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office only until the first general meeting of the Company after appointment and shall then be eligible for re-election at that meeting.

Directors' Training and Continuous Professional Development

The Company will provide briefings and organise training sessions to update and refresh Directors' knowledge on regulatory developments and business and market changes from time to time. Relevant reading materials are provided to Directors who are encouraged to enhance awareness of good corporate governance and improvement of skills and knowledge through personal studies.

According to the records provided by the Directors, the Directors (Mr. Ju Mengjun, Dr. Lo Kou Hong, Mr. Mao Hongcheng, Mr. Chang Loong Cheong, Mr. Meng Jin, Mr. Shi Guoxiong, Mr. Zhou Guanghe, Mr. Xu Rong, Ms. Xu Zhijuan, Mr. Tang Binfeng, Mr. Wang Qi and the resigned Director Mr. Xu Zugen) had attended site visits of other business corporations arranged by the Company, participated in conferences and forums and seminars relevant to the professions of individual Directors during the year. The Directors were also provided with reading materials relating to directors' roles, duties and functions, and disclosure of inside information.

Board meetings

Board Practices and Conduct of Meetings

The Directors met regularly as and when required by business needs. At least four regular Board meetings were held every year. During the year under review, eight board meetings were held for reviewing and approving the financial results, considering and approving acquisitions, investments and the overall strategies and policies of the Company. Schedules for regular Board meetings are normally agreed with the Directors in advance in order to facilitate them to attend. Directors may participate in meetings in person or through electronic means of communication. At all times reasonable notice are given to enable all Directors to attend board meetings and to include matters for discussion in the agenda as they think fit.

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

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

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

Directors' Attendance Records

The number of Board meetings held and attendance by Directors at Board meetings, Board Committee meetings and general meeting during the year ended 31 March 2013 are set out below:

Meetings attended/held Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee	Strategy and Development Committee	Executive Committee	Annual General Meeting
Executive Directors								
Mr. Ju Mengjun	7/8			1/1			–	1/1
Dr. Lo Kou Hong	4/8							1/1
Mr. Xu Zugen (resigned on 22 June 2013)	4/8					0/4		1/1
Mr. Mao Hongcheng	4/8				1/2		–	1/1
Mr. Chang Loong Cheong	8/8				2/2	4/4	–	1/1
Mr. Meng Jin	5/8				1/2		–	1/1
Mr. Shi Guoxiong	6/8				1/2			0/1
Mr. Zhou Guanghe	6/8					4/4		0/1
Independent Non-executive Directors								
Mr. Xu Rong	4/8	3/3	1/1				–	0/1
Ms. Xu Zhijuan	8/8	3/3	1/1	1/1	2/2	4/4	–	1/1
Mr. Tang Binfeng	7/8	3/3	1/1	1/1		4/4		0/1
Mr. Wang Qi	5/8							0/1

Model Code for Securities Transactions

The Company has adopted its own code of conduct governing directors' dealings in the Company's securities (the "Own Code") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made to all the Directors and all of them have confirmed that they have complied with the Own Code and the Model Code throughout the year ended 31 March 2013.

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

BOARD COMMITTEES

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

1. Remuneration Committee

The duties of the Remuneration Committee are mainly to (i) make recommendations on the establishment of procedures for developing remuneration policy and structure of the Executive Directors and the management of the Group, such policy shall ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration; (ii) determine with delegated responsibility the remuneration packages of the Executive Directors and the management of the Group; and (iii) review and approve management's remuneration proposals with reference to the Board's corporate goals and objectives.

The Remuneration Committee comprises of three Independent Non-executive Directors, namely, Ms. Xu Zhijuan, Mr. Xu Rong and Mr. Tang Binfeng. The chairman of the Remuneration Committee is Ms. Xu Zhijuan.

Human resources department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee consults with the Co-chairmen about these recommendations on remuneration policy and structure and remuneration packages.

During the year ended 31 March 2013, the Remuneration Committee met once to review and discuss the remuneration policy and structure of the Group, the current remuneration packages of the Directors and management of the Group during the year of review.

2. Audit Committee

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

The Audit Committee comprises three Independent Non-executive Directors, namely, Ms. Xu Zhijuan, Mr. Xu Rong and Mr. Tang Binfeng. The chairman of the Audit Committee is Ms. Xu Zhijuan who possesses the appropriate professional qualifications on accounting or related financial management expertise. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

During the year ended 31 March 2013, three Audit Committee meetings were held to review the financial statements, results announcements, reports and the continuing connected transactions for the year ended 31 March 2012, interim results for the six months ended 30 September 2012, the financial reporting and compliance procedures, and the report from the management of the Company on the Company's internal control and risk management. After the financial year end, one meeting has been held to review and recommend the appointment of a new auditor to fill the vacancy arising from the resignation of Ernst & Young.

3. Nomination Committee

The main duties of the Nomination Committee are to (i) review the structure, size and composition of the Board; and (ii) make recommendations on the appointment and re-appointment of Directors and succession planning. On 7 June 2013, the terms of reference of the Nomination Committee were revised to take into account the Board diversity policy. The terms of reference of the Nomination Committee are available on the Company's website.

The Nomination Committee consists of three members, namely, Mr. Ju Mengjun, Co-chairman of the Board, Ms. Xu Zhijuan and Mr. Tang Binfeng who are Independent Non-executive Directors.

During the year ended 31 March 2013, one Nomination Committee meeting was held. Decisions were also made by written resolutions with explanatory materials circulated to the Directors. During the year, the Nomination Committee has reviewed the composition of the Board and made recommendations for the re-election of Directors at the annual general meeting in 2012 and the re-designation of Mr. Xu Rong from Non-executive Director to Independent Non-executive Director.

4. Corporate Governance Committee

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

The Committee comprises five members, namely, Mr. Mao Hongcheng, Mr. Chang Loong Cheong, Mr. Meng Jin, Mr. Shi Guoxiong and Ms. Xu Zhijuan. The chairman of the Corporate Governance Committee is Mr. Mao Hongcheng who will be replaced by Mr. Shi Guoxiong after the reporting period on 15 July 2013.

During the year ended 31 March 2013, the Corporate Governance Committee held two meetings to review the Company's corporate governance policies and practices.

5. Executive Committee

The Executive Committee is composed of no less than half of the number of Directors of which one-third is Non-executive Directors and/or Independent Non-executive Directors. The Executive Committee operates as a general management committee under the direct authority of the Board to increase the efficiency for the business decision. The Non-executive Director and Independent Non-executive Directors are invited to attend Executive Committee meetings to advise on risk management and compliance matters.

During the year ended 31 March 2013, the Executive Committee did not hold any meeting.

6. Strategy and Development Committee

The Strategy and Development Committee was established on 8 March 2012 for the purpose of formulating the strategic and development direction of the Group. On 7 June 2013, the main duties of the Strategy and Development Committee have been amended to include (i) determining and reviewing strategies and policies; (ii) approving and monitoring annual budgets; (iii) approving, reviewing and evaluating investment transactions; and (iv) monitoring investment performance.

The Strategy and Development Committee comprises five members, namely, Mr. Chang Loong Cheong, Mr. Zhou Guanghe, Ms. Xu Zhijuan, Mr. Tang Binfeng and Mr. Xu Zugen who resigned on 22 June 2013. Mr. Chang Loong Cheong is the chairman of the Strategy and Development Committee.

During the year ended 31 March 2013, the Strategy and Development Committee held four meetings to consider and review investment proposals.

RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 March 2013 which were prepared in accordance with statutory requirements and applicable accounting standards. The reporting responsibilities of the auditors on the financial statements are set out in the section "Independent Auditors' Report".

The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

INTERNAL CONTROLS

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

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

AUDITORS' REMUNERATION

The fees paid/payable to the Company's external auditors in respect of audit services and non-audit services for the year ended 31 March 2013 are analyzed below:

Types of services provided by the external auditors	**Fees paid/payable** HK$'000
Audit services	930
Non-audit services: Include reviewing interim financial statements, issuance of Form A of the Group's Occupational Retirement Scheme and other related services	288
TOTAL:	1,218

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

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

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

SHAREHOLDERS' RIGHTS

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

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

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

COMPANY SECRETARY

The Company engages an external service provider to provide company secretarial services and Ms. Kwong Yin Ping, Yvonne is appointed as the Company Secretary. Mr. Chang Loong Cheong, an Executive Director and Mr. Patrick Chang, Head of Corporate Development and Office of the Board, are primary contacts in the Company for Ms. Kwong in relation to corporate secretarial matters.

REPORT OF THE DIRECTORS

The directors of the Company (the "Directors") present their report and the audited financial statements of Xinhua News Media Holdings Limited (the "Company") and its subsidiaries (collectively referred to as 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 Company's subsidiaries are set out in Note 18 to the financial statements.

Since September 2012, the Group has a new business segment for management consulting services, providing investment management and consulting services, management solutions for hospitals and sales of medical equipment.

RESULTS AND DIVIDENDS

The Group's results 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 33 to 107.

The Directors do not recommend the payment of any dividend for the year.

SUMMARY FINANCIAL INFORMATION

A summary of the results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out on page 108. 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 15 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Details of movements in the Company's share capital, share options and warrants during the year are set out in Notes 30 and 31 to the financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 32 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2013, the Company had no reserves available for distribution. The Company's share premium account, in the amount of HK$450,896,000, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 66% of the total sales for the year, and sales to the largest customer included therein amounted to approximately 33%.

Purchases from the Group's five largest suppliers accounted for approximately 58% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 17%.

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

DIRECTORS

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

Executive Directors

Mr. Ju Mengjun *(Co-chairman)*

Dr. Lo Kou Hong *(Co-chairman)*

Mr. Xu Zugen *(Resigned on 22 June 2013)*

Mr. Mao Hongcheng *(General Manager) (Will resign on 15 July 2013)*

Mr. Chang Loong Cheong

Mr. Meng Jin

Mr. Shi Guoxiong

Mr. Zhou Guanghe

Independent Non-executive Directors

Mr. Xu Rong *(Re-designated on 28 December 2012)*

Ms. Xu Zhijuan

Mr. Tang Binfeng

Mr. Wang Qi

According to Article 112 of the Company's Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than one-third, shall retire from office by rotation. Accordingly Mr. Ju Mengjun, Dr. Lo Kou Hong, Mr. Meng Jin and Mr. Wang Qi will retire at the 2013 annual general meeting and, being eligible, offer themselves for re-election.

Mr. Xu Rong has been re-designated from Non-executive Director to Independent Non-executive Director on 28 December 2012. Save and except holding the office as Non-executive Director immediately prior to his re-designation, Mr. Xu Rong has not held any executive or management function or position in the Company or its subsidiaries since his appointment as Non-executive Director. The Company has received a confirmation of independence from each Independent Non-executive Director, namely Mr. Xu Rong, Ms. Xu Zhijuan, Mr. Tang Binfeng and Mr. Wang Qi, and considers them to be independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out in the section headed "Biographical Information of Directors" on pages 11 to 13.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has a letter of appointment or service contract with the Company for a continuous term until terminated by not less than three to six months' notice in writing served by either party or the other.

The term of office of each Independent Non-executive Director is for a term of three years with effect from 29 September 2012.

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

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in Note 38 to the financial statements, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries and fellow subsidiaries was a party during the year.

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

As at 31 March 2013, the interests of the Directors in the shares and underlying shares of the Company and its associated corporations as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance (the "SFO"); or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

A.(1) Interests in shares of the Company

Name of Director	Long/short position	Capacity	Number of ordinary shares of the Company	Percentage* of the Company's issued share capital
Dr. Lo Kou Hong	Long	Founder of a discretionary trust	40,000,000 *(Note (1))*	3.07%
	Long	Interest of spouse	1,700,000 *(Note (2))*	0.13%

Notes:

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

Accordingly, Dr. Lo Kou Hong, as the founder of The Lo's Family Trust, was deemed to be interested in the shares of the Company owned by The Lo's Family (PTC) Limited in its capacity as the trustee of The Lo's Family Unit Trust under Part XV of the SFO.

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

* The percentage represents the number of ordinary shares of the Company interested divided by the number of the Company's issued shares as at 31 March 2013.

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

Name of Director	Long/short position	Capacity	Number of underlying shares of the Company in respect of the share options granted	Percentage* of the Company's underlying shares over the Company's issued share capital
Dr. Lo Kou Hong	Long	Beneficial owner	6,000,000	0.46%
	Long	Interest of spouse	6,000,000 *(Note)*	0.46%

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

Note: Dr. Lo Kou Hong was deemed to be interested in the 6,000,000 share options of the Company through interest of his spouse, Ms. Ko Lok Ping, Maria Genoveffa.

* The percentage represents the number of underlying shares of the Company interested divided by the number of the Company's issued shares as at 31 March 2013.

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

Name of Director	Long/short position	Capacity	Number of ordinary shares in Peixin	Percentage* of Peixin's issued share capital
Dr. Lo Kou Hong	Long	Interest held by controlled corporations	42 shares *(Note)*	30%

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

* The percentage represents the number of underlying shares interested divided by the number of Peixin's issued shares as at 31 March 2013.

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

Name of Director	Long/short position	Capacity	Amount of registered capital in Shuyang ITAD	Percentage* of Shuyang ITAD's issued share capital
Dr. Lo Kou Hong	Long	Interest held by controlled corporation	RMB62,500,000 *(Note)*	100%

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

* The percentage represents the amount of registered capital interested divided by the number of Shuyang ITAD's issued shares as at 31 March 2013.

In addition to the above, as at 31 March 2013, Dr. Lo Kou Hong held one share in a subsidiary of the Company in a non-beneficial capacity, solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, as at 31 March 2013, none of the Directors had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, nor had there been any grant or exercise of rights of such interests during the year ended 31 March 2013.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details of the Scheme are disclosed in Note 31 to the financial statements.

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

Name or category of participant	Number of share options: At 1 April 2012	Number of share options: Granted/exercised/ lapsed/cancelled during the year	Number of share options: At 31 March 2013	Date of grant of share options(1)	Exercise period of share options	Exercise price of share options(2) HK$ per share
Directors						
Dr. Lo Kou Hong	6,000,000	–	6,000,000	12-5-05	22-4-05 to 21-4-15	0.275
Other employees						
In aggregate	13,000,000	–	13,000,000	12-5-05	22-4-05 to 21-4-15	0.275
	19,000,000	–	19,000,000			

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

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

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

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

After the reporting period, the Scheme was expired on 23 April 2013. No further shares options would be granted under the Scheme, but share options outstanding shall remain in full force and effect in all other respects.

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

As at 31 March 2013, the following persons (other than the Directors) had interests of 5% or more in the issued shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

(1) Interests in shares of the Company

Name of substantial shareholder	Long/short position	Capacity	Number of ordinary shares	Percentage* of the Company's issued share capital
APRB	Long	Beneficial owner	214,681,040	16.48%
Xinhua News Agency Asia-Pacific Regional Bureau	Long	Interest held by controlled corporation	214,681,040 *(Note (1))*	16.48%
PAC Consulting	Long	Beneficial owner	135,387,000	10.40%
	Short	Beneficial owner	20,000,000	1.54%
Ms. Ko Lok Ping, Maria Genoveffa	Long	Beneficial owner	1,700,000	0.13%
	Long	Interest of spouse	40,000,000 *(Note (2))*	3.07%
The Lo's Family (PTC) Limited	Long	Trustee	40,000,000 *(Note (3))*	3.07%
Equity Trustee Limited	Long	Trustee	40,000,000 *(Note (3))*	3.07%

Notes:

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

(2) Ms. Ko Lok Ping, Maria Genoveffa was deemed to be interested in the 40,000,000 shares of the Company through interest of her spouse, Dr. Lo Kou Hong.

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

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

* The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 March 2013.

CONNECTED TRANSACTIONS

Continuing Connected Transactions

Saved as disclosed below, the Group had not entered into any connected transactions or continuing connected transactions not exempt under Rules 14A.31 or 14A.33 of the Listing Rules during the year ended 31 March 2013. Further details of these transactions are set out in Note 38 to the consolidated financial statements.

(a) Tenancy agreement with 中國新聞發展深圳有限公司 (China News Development (Shenzhen) Company Limited)* ("China lessor") for lease of Second floor, Tower 1, News Building, No. 1002 Shennan Middle Road, Futian District, Shenzhen, Guangdong Province, China ("China Premises")

On 22 June 2011, Xinhua News Media Limited, a wholly-owned subsidiary of the Company, leased the China Premises from China lessor for the period from 22 June 2011 to 21 June 2012 at a monthly rent and management fee of RMB144,150 (equivalent to approximately HK$176,473) and RMB37,840 (equivalent to approximately HK$46,324), respectively. The total rental and management fee paid by the Group to China lessor for the year ended 31 March 2013 amounted to approximately HK$447,803. The tenancy agreement expired on 21 June 2012 and was not renewed.

(b) Tenancy agreement with Xinhua News Agency Hong Kong Special Administrative Region Branch Limited ("HK lessor") for lease of Shop no. 2 on the ground floor and the entire 2nd floor of 5 Sharp Street West, Wan Chai, Hong Kong ("Hong Kong Premises").

On 22 June 2011, Xinhua News Media Limited, a wholly-owned subsidiary of the Company, leased the Hong Kong Premises from HK lessor for the period from 22 June 2011 to 5 July 2012 at a monthly rent and management fee of HK$172,500 and HK$8,300, respectively. The total rental and management fee paid by the Group to HK lessor for the year ended 31 March 2013 amounted to approximately HK$542,400. The tenancy agreement expired on 5 July 2012. On expiry, the Group has been allowed to continue using the Hong Kong Premises as general office rent free.

China lessor and HK lessor were associates of Xinhua News Agency Asia-Pacific Region Bureau which owned all the issued shares of APRB, a substantial shareholder of the Company, and the leases constituted continuing connected transactions for the Company.

The Independent Non-executive Directors have reviewed the continuing connected transactions and have confirmed that these transactions were (i) in the ordinary and usual course of business of the Group and on normal commercial terms; (ii) in accordance with the relevant agreements governing them on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole; and (iii) the annual amounts of the transactions have not exceeded the annual cap disclosed in the announcement dated 22 June 2011.

The auditors of the Company have been engaged to report on the above continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions in accordance with Rule 14A.38 of the Listing Rules. The Company has provided a copy of the said letter to the Stock Exchange.

* For identification purpose

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

Details of the corporate governance practices of the Company are set out in the section headed "Corporate Governance Report" on pages 14 to 21.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2013 annual general meeting, the Register of Members of the Company will be closed from Wednesday 25 September 2013 to Friday 27 September 2013, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify to attend and vote at the annual general meeting, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday 24 September 2013.

AUDITORS

Ernst & Young who acted as auditors for last year resigned on 3 May 2013. HLB Hodgson Impey Cheng Limited was appointed on 14 May 2013 to fill the casual vacancy. The consolidated financial statements have been audited by HLB Hodgson Impey Cheng Limited. A resolution will be proposed at the Company's forthcoming annual general meeting to appoint HLB Hodgson Impey Cheng Limited as auditors.

ON BEHALF OF THE BOARD

Ju Mengjun	**Lo Kou Hong**
Co-chairman	*Co-chairman*
Hong Kong	Hong Kong
28 June 2013	28 June 2013

INDEPENDENT AUDITORS' REPORT

HLB 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 Xinhua News Media Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Xinhua News Media Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 33 to 107, which comprise the consolidated and the Company's statements of financial position as at 31 March 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2013, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 March 2012 were audited by another auditor who expressed an unmodified opinion on those statements on 28 June 2012.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hon Koon Fai, Alex
Practising Certificate Number: P05029

Hong Kong, 28 June 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
CONTINUING OPERATIONS			
Revenue	6	**205,503**	193,471
Other income and gains	6	**1,981**	1,154
Staff costs		**(163,851)**	(164,478)
Depreciation and amortisation		**(20,548)**	(16,305)
Fair value change on derivative financial asset	21	**2,006**	–
Impairment of intangible assets	17	**(28,327)**	–
Other operating expenses		**(50,553)**	(48,230)
Finance costs	8	**(31)**	(79)
Share of profit of an associate		**257**	133
Loss before tax from continuing operations	7	**(53,563)**	(34,334)
Income tax expenses	11	**(219)**	–
Loss for the year from continuing operations		**(53,782)**	(34,334)
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	13	**(2,313)**	(79,535)
Loss for the year		**(56,095)**	(113,869)
Other comprehensive income			
Exchange differences on translation of foreign operations and other comprehensive income for the year, net of tax		**671**	3,179
Total comprehensive loss for the year		**(55,424)**	(110,690)
Gain/(loss) attributable to:			
Owners of the Company		**(56,569)**	(90,040)
Non-controlling interests		**474**	(23,829)
		(56,095)	(113,869)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**(56,247)**	(88,016)
Non-controlling interests		**823**	(22,674)
		(55,424)	(110,690)
Loss per share attributable to ordinary equity holders of the Company			
Basic and diluted	14		
– For loss for the year		**(4.57) HK cents**	(7.96) HK cents
– For loss from continuing operations		**(4.44) HK cents**	(3.04) HK cents

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	15	7,878	10,009
Goodwill	16	22,960	–
Intangible assets	17	108,650	152,837
Investment in an associate	20	535	278
		140,023	163,124
Current assets			
Inventories	19	151	93
Due from an associate	20	1,265	1,375
Derivative financial asset	21	2,006	–
Trade receivables	22	39,258	29,838
Prepayments, deposits and other receivables	22	37,898	10,284
Pledged time deposits	23	10,022	4,001
Cash and cash equivalents	23	62,683	75,563
		153,283	121,154
Assets classified as held for sale	13	24,463	35,052
		177,746	156,206
LIABILITIES			
Current liabilities			
Trade payables	24	4,517	2,240
Other payables and accrued liabilities	25	28,260	23,455
Finance lease payable	27	52	48
Tax payable		219	–
		33,048	25,743
Liabilities directly associated with the assets classified as held for sale	13	15,763	13,969
		48,811	39,712
Net current assets		128,935	116,494
Total assets less current liabilities		268,958	279,618

At 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current liabilities			
Finance lease payable	27	**57**	109
Provision for long service payments	28	**1,510**	1,531
Deferred income	29	**6,423**	6,841
		7,990	8,481
Net assets		**260,968**	271,137
EQUITY			
Equity attributable to owners of the Company			
Issued capital	30	**13,023**	11,669
Reserves	32(a)	**233,930**	263,100
		246,953	274,769
Non-controlling interests		**14,015**	(3,632)
Total equity		**260,968**	271,137

Approved by the Board on 28 June 2013 and signed on its behalf by:

Ju Mengjun	**Lo Kou Hong**
Co-chairman	*Co-chairman*

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											
	Issued capital HK$'000 (Note 30)	Share premium HK$'000 (Note 30) (Note i)	Capital redemption reserve HK$'000 (Note i)	Merger reserve HK$'000 (Note 32(a)) (Note i)	Share option reserve HK$'000 (Note 31) (Note i)	Warrant reserve HK$'000 (Note i)	Contributed surplus HK$'000 (Note 32(a)) (Note i)	Accumulated losses HK$'000 (Note i)	Exchange fluctuation reserve HK$'000 (Note i)	Subtotal HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2011	9,063	245,147	254	47,063	16,870	936	26,758	(175,227)	9,741	180,605	19,042	199,647
Loss for the year	–	–	–	–	–	–	–	(90,040)	–	(90,040)	(23,829)	(113,869)
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	2,024	2,024	1,155	3,179
Total comprehensive loss for the year	–	–	–	–	–	–	–	(90,040)	2,024	(88,016)	(22,674)	(110,690)
Issue of warrants *(Note 30)*	–	–	–	–	–	459	–	–	–	459	–	459
Issue of shares *(Note 30)*	2,606	180,810	–	–	–	–	–	–	–	183,416	–	183,416
Transfer of warrant reserve upon expiry of warrants *(Note 30)*	–	–	–	–	–	(630)	–	630	–	–	–	–
Share issue expenses *(Note 30)*	–	(2,138)	–	–	–	–	–	–	–	(2,138)	–	(2,138)
Equity-settled share option arrangements *(Note 31)*	–	–	–	–	443	–	–	–	–	443	–	443
At 31 March 2012	11,669	423,819	254	47,063	17,313	765	26,758	(264,637)	11,765	274,769	(3,632)	271,137
At 1 April 2012	**11,669**	**423,819**	**254**	**47,063**	**17,313**	**765**	**26,758**	**(264,637)**	**11,765**	**274,769**	**(3,632)**	**271,137**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(56,569)**	**–**	**(56,569)**	**474**	**(56,095)**
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**322**	**322**	**349**	**671**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(56,569)**	**322**	**(56,247)**	**823**	**(55,424)**
Issue of shares *(Note 30)*	**1,354**	**27,077**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**28,431**	**–**	**28,431**
Transfer of warrant reserve upon expiry of warrants *(Note 30)*	**–**	**–**	**–**	**–**	**–**	**(765)**	**–**	**765**	**–**	**–**	**–**	**–**
Acquisition of subsidiaries *(Note 33)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**16,824**	**16,824**
At 31 March 2013	**13,023**	**450,896**	**254**	**47,063**	**17,313**	**–**	**26,758**	**(320,441)**	**12,087**	**246,953**	**14,015**	**260,968**

Note:

(i) These reserve accounts comprise the consolidated reserves of HK$233,930,000 (2012: HK$263,100,000) in the consolidated statement of financial position.

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:			
From continuing operations		**(53,563)**	(34,334)
From a discontinued operation	13	**(2,313)**	(79,535)
Adjustments for:			
Finance costs	8	**31**	79
Depreciation	7	**4,447**	10,825
Amortisation of intangible assets	7	**16,101**	14,505
Amortisation of deferred income	6	**(462)**	(464)
Interest income		**(644)**	(174)
Fair value change in derivative financial asset	21	**(2,006)**	–
Loss on property, plant and equipment written off	7	**–**	1
Loss on disposal of property, plant and equipment	7	**113**	10
Equity-settled share option expenses	7	**–**	443
Impairment of trade receivables	7	**–**	32
Impairment of property, plant and equipment	7	**–**	65,918
Impairment of intangible assets	7	**28,327**	–
Share of profit of an associate		**(257)**	(133)
Provision for long service payments	7	**401**	1,413
Operating loss before working capital changes		**(9,825)**	(21,414)
Decrease/(increase) in amount due from an associate		**110**	(55)
Increase in trade receivables		**(1,869)**	(6,062)
Increase in prepayments, deposits and other receivables		**(11,627)**	(9,098)
(Increase)/decrease in inventories		**(58)**	18
Increase in trade payables		**2,277**	76
(Decrease)/increase in other payables and accrued liabilities		**(6,869)**	485
Decrease in provision for long service payments		**(422)**	(474)
Cash used in operations		**(28,283)**	(36,524)
Interest paid		**(19)**	(62)
Interest element of a finance lease payable		**(12)**	(17)
Net cash flows used in operating activities		**(28,314)**	(36,603)

Consolidated Statement of Cash Flows

For the year ended 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
Cash flows from investing activities			
Purchases of property, plant and equipment	15	**(1,080)**	(13,613)
Decrease in deposits paid for acquisition of property, plant and equipment		**–**	4,409
Proceeds from disposal of property, plant and equipment		**148**	3
Additions to intangible assets	17, 34	**(150)**	(1,178)
Interest received		**644**	174
(Increase)/decrease in pledged time deposits		**(6,021)**	10,028
Net cash inflow on acquisition of subsidiaries	33, 34	**9,674**	–
Net cash flows generated from/(used in) investing activities		**3,215**	(177)
Cash flows from financing activities			
Proceeds from issue of shares	30	**–**	32,130
Proceeds from issue of warrants	30	**–**	459
Increase in loans from a director		**1,299**	4,551
Share issue expenses	30	**–**	(2,138)
Capital element of a finance lease payable		**(48)**	(43)
Net cash flows generated from financing activities		**1,251**	34,959
Net decrease in cash and cash equivalents		**(23,848)**	(1,821)
Cash and cash equivalents at beginning of year		**86,071**	87,290
Effect of exchange rate changes on the balance of cash held in foreign currencies		**814**	602
Cash and cash equivalents at end of year		**63,037**	86,071
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**32,597**	9,436
Non-pledged time deposits with original maturity of less than three months when acquired		**30,086**	66,127
Cash and cash equivalents as stated in the consolidated statement of financial position	23	**62,683**	75,563
Cash and bank balances attributable to a discontinued operation	13	**354**	10,508
Cash and cash equivalents as stated in the consolidated statement of cash flows		**63,037**	86,071

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			
Investments in subsidiaries	18	**132,225**	108,849
Intangible assets	17	**95,223**	138,679
		227,448	247,528
Current assets			
Amount due from a subsidiary	18	**800**	800
Prepayments, deposits and other receivables	22	**178**	1
Cash and cash equivalents	23	**155**	157
		1,133	958
LIABILITIES			
Current liability			
Other payables and accrued liabilities	25	**968**	872
Net current assets		**165**	86
Total assets less current liabilities		**227,613**	247,614
Net assets		**227,613**	247,614
EQUITY			
Capital and reserves			
Issued capital	30	**13,023**	11,669
Reserves	32(b)	**214,590**	235,945
Total equity		**227,613**	247,614

Approved by the Board on 28 June 2013 and signed on its behalf by:

Ju Mengjun
Co-chairman

Lo Kou Hong
Co-chairman

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

1. CORPORATE INFORMATION

Xinhua News Media Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The principal place of business of the Company is located at 2nd Floor, 5 Sharp Street West, Wan Chai, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") was principally engaged in the provision of cleaning and related services, the provision of medical waste treatment service, the provision of television screen broadcast business and the provision of management consulting services which was commenced after the Group has completed the acquisition of 51% equity interest of Shanghai GoalReal Investments Advisory Company Limited (formerly known as Shanghai GoalReal Hospital Investment Management Limited) ("GoalReal") on 24 September 2012.

As further detailed in Note 13 to the consolidated financial statements, the waste treatment services were classified as discontinued operation during the year ended 31 March 2013 and 2012.

Other than the above developments, there was no significant changes in the natures of the Group's principal activities during the year.

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

(a) Application of new and revised HKFRSs ("new HKFRSs") for the year ended 31 March 2013

In the current year, the Group has applied for the first time, the following new HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 April 2012.

HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets
HKAS 12 (Amendments)	Deferred Tax – Recovery of Underlying Assets

The application of the above new HKFRSs had no material effect on the results and financial positions of the Group for current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustments has been required.

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

(b) New HKFRSs issued but not effective

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

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009-2011 Cycle[2]
HKFRS 1 (Amendments)	Government Loans[2]
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[2]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities[3]
HKAS 1 (Amendments)	Presentation of Items of 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)	Presentation – Offsetting Financial Assets and Financial Liabilities[3]
HKAS 36 (Amendments)	Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets[3]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]
HK(IFRIC) – Int 21	Levies[3]

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

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

- 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 designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

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

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.

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

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

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.

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.

HKAS 1 (Amendments) *Presentation of Items of Other Comprehensive Income*

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

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

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

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.

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

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.

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

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

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

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

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

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

The Group has assessed that the adoption of HKFRS 10 does not have any significant impact on the Group as all subsidiaries within the Group satisfy the requirements of control under HKFRS 10 and there are no new subsidiaries identified under the new guidance.

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

Amendments to HKAS 36 *Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets*

The amendments to HKAS 36 are to remove certain unintended disclosure requirements which may be introduced by the consequential amendments to HKAS 36 when HKFRS 13 was issued. Furthermore, these amendments require the disclosure of additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. The amendments to HKAS 36 are effective for annual periods beginning on or after 1 January 2014. Earlier application is permitted. However, an entity may not apply those amendments in periods (including comparative periods) in which it does not also apply HKFRS 13.

The Group is in the process of assessing the potential impact of the above new HKFRSs upon initial application but is not yet in a position to state whether the above new HKFRSs will have a significant impact on the Group's results of operations and financial position. The Group intends to adopt the new/revised standards and amendments to existing standards when they become effective.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs (which include all HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). These consolidated financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

Basis of preparation

The measurement basis used in the preparation of the consolidated financial statements is historical cost convention.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group and of the Company for the year ended 31 March 2013 and 2012. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income within a subsidiary is attributed to the owners of the Company and to the non-controlling interest even if that results in a deficit balance.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

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

Subsidiaries

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

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Associate

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition costs are expensed as incurred.

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

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

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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

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

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

Impairment of non-financial assets

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

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

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

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

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

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

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

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

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

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as discontinued operation, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and a group classified as discontinued operation". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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

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

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

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

Non-current assets and a group classified as discontinued operation

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

Intangible assets (other than goodwill)

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

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Operating leases

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as loans and receivables as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognized initially, they are measured at fair value, plus transaction cost, except in the case of financial assets recorded at fair value through profit or loss.

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

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

Subsequent measurement

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

Loans and receivables

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

Derecognition of financial assets

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

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

Loans and borrowings

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

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

Derecognition of financial liabilities

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

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

Cash and cash equivalents

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

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

Provisions

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

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

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

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

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

Government grants

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

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

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

Contracts for services

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

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

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

Revenue recognition

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Share-based payment transactions

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in Note 31 to the consolidated financial statements.

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share-based payment transactions (continued)

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

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

Paid leave carried forward

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

Employment Ordinance long service payments

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

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

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

Retirement benefit schemes

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Retirement benefit schemes (continued)

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

Borrowing costs

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

Foreign currencies

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on item whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingent liabilities and contingent assets

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 outflow is probable, they 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. Contingent assets are not recognised but are 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 reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker 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, the nature of production processes, the type or class of customers, the methods used to distribute the products or to provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Classification between intangible assets and property, plant and equipment

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

Estimation uncertainty

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

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Property, plant and equipment and other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. As at 31 March 2013, the aggregate carrying amount of the Group’s property, plant and equipment was approximately HK$7,878,000 (2012: HK$10,009,000). A net of accumulated impairment loss of approximately HK$77,182,000 (2012: HK$77,182,000) was related to the property, plant and equipment of the discontinued operation and the aggregate carrying amount of the Group’s intangible assets was approximately HK$108,650,000 (2012: HK$152,837,000), net of accumulated impairment loss of approximately HK$41,008,000 (2012: HK$12,681,000).

Provision for impairment of trade and other receivables

The Group makes provision for impairment of trade and other receivables based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of judgement and estimates. Where the expectation on the recoverability of trade and other receivables is different from the original estimate, such difference will impact the carrying value of trade and other receivables and impairment expenses in the period in which such estimate has been changed. The aggregate carrying amount of the Group’s trade and other receivables as at 31 March 2013 was approximately HK$77,156,000 (2012: HK$40,122,000), net of accumulated impairment loss of Nil (2012: Nil).

Provision for long service payments

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Net realisable value of inventories

The Group performs regular review of the carrying amounts of inventories with reference to aged analysis of the Group's inventories, projections of expected future saleability of goods and management experience and judgement. Based on this review, write-down of inventories will be made when the carrying amounts of inventories decline below their estimated net realisable value.

Due to changes in technological, market or economic environment and customers' preference, actual saleability of goods may be different from estimation and profit or loss could be affected by differences in this estimation. The aggregate carrying amount of the Group's inventories as at 31 March 2013 was approximately HK$151,000 (2012: HK$93,000).

Depreciation

The Group depreciates the property, plant and equipment on the straight-line basis over the respective estimated useful lives with the depreciation charge commencing from the date an item of the property, plant and equipment is available for use. The estimated useful life reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The net book value of the Group's property, plant and equipment as at 31 March 2013 was approximately HK$7,878,000 (2012: HK$10,009,000).

Amortisation

The Group amortises the intangible assets on the straight-line basis over the respective estimated useful lives with the amortisation provide commencing from the date an item of the intangible assets are available for use. The estimated useful life reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's intangible assets. The net book value of the Group's intangible assets as at 31 March 2013 was approximately HK$108,650,000 (2012: HK$152,837,000).

5. OPERATING SEGMENT INFORMATION

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

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

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

(c) the television screen broadcast business segment engages in the provision of publicly broadcasting information and advertisements on television screens services; and

(d) the management consulting services segment engages in the provision of investment management and consulting service, management solutions for hospitals and sales of medical equipment. This is a newly reportable segment after the Group has completed the acquisition of 51% equity interest of GoalReal on 24 September 2012. For further details, please refer to Note 33 to the consolidated financial statements

The Group's waste treatment business was terminated on 9 January 2012 as detailed in Note 13 to the consolidated financial statements.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted profit/loss before tax from continuing operations. The adjusted profit/loss before tax from continuing operations are measured consistently with the Group's loss before tax from continuing operations except that interest income, finance costs, fair value change on derivative financial asset, impairment losses from the Group's intangible assets and property, plant and equipment, share of profit of an associate and unallocated expenses such as directors' remunerations are excluded from such measurement.

Segment assets exclude goodwill, investment in an associate and derivative financial asset as these assets are managed on a group basis.

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

There are no intersegment sales and transfers between the segments.

5. OPERATING SEGMENT INFORMATION (continued)

The following is an analysis of the Group's revenue and results by reportable segments:

	Continuing operations										Discontinued operation			
	Cleaning and related services		Television screen broadcast business		Medical waste treatment		Management consulting services		Sub-total		Waste treatment		Total	
	2013	2012	2013	2012	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	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue:														
Service income from external customers	193,109	187,356	1,003	64	7,055	6,051	4,336	–	205,503	193,471	–	123	205,503	193,594
Other income and gains	803	280	33	103	515	623	–	–	1,351	1,006	197	10	1,548	1,016
Total	193,912	187,636	1,036	167	7,570	6,674	4,336	–	206,854	194,477	197	133	207,051	194,610
Segment results	4,729	(1,498)	(25,113)	(21,742)	1,844	30	828	–	(17,712)	(23,210)	(2,327)	(13,643)	(20,039)	(36,853)
Reconciliation:														
Interest income									630	148	14	26	644	174
Share of profit of an associate									257	133	–	–	257	133
Unallocated expenses									(10,386)	(11,326)	–	–	(10,386)	(11,326)
Fair value change on derivative financial asset									2,006	–	–	–	2,006	–
Impairment losses recognised in profit or loss in respect of:														
Intangible assets*									(28,327)	–	–	–	(28,327)	–
Property, plant and equipment**									–	–	–	(65,918)	–	(65,918)
Finance costs									(31)	(79)	–	–	(31)	(79)
Loss before tax									(53,563)	(34,334)	(2,313)	(79,535)	(55,876)	(113,869)
Income tax expenses									(219)	–	–	–	(219)	–
Loss for the year									(53,782)	(34,334)	(2,313)	(79,535)	(56,095)	(113,869)

* Impairment of intangible assets was related to the television screen broadcast business segment.

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

5. OPERATING SEGMENT INFORMATION (continued)

Other segment information:

	Continuing operations										Discontinued operation			
	Cleaning and related services		Television screen broadcast business		Medical waste treatment		Management consulting services		Sub-total		Waste treatment		Total	
	2013	2012	**2013**	2012	**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	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**55,855**	44,675	**138,119**	220,107	**19,102**	17,843	**53,464**	–	**266,540**	282,625	**24,463**	35,052	**291,003**	317,677
Reconciliation:														
Goodwill									**22,960**	–	**–**	–	**22,960**	–
Investment in an associate									**535**	278	**–**	–	**535**	278
Amount due from an associate									**1,265**	1,375	**–**	–	**1,265**	1,375
Derivative financial asset									**2,006**	–	**–**	–	**2,006**	–
Assets classified as held for sale									**–**	–	**(24,463)**	(35,052)	**(24,463)**	(35,052)
Total assets									**293,306**	284,278	**–**	–	**293,306**	284,278
Segment liabilities	**23,084**	22,679	**3,422**	3,707	**7,049**	7,681	**7,374**	–	**40,929**	34,067	**5,113**	4,618	**46,042**	38,685
Reconciliation:														
Finance lease payable									**109**	157	**–**	–	**109**	157
Loans from a director									**–**	–	**10,650**	9,351	**10,650**	9,351
Liabilities directly associated with the assets classified as held for sale									**–**	–	**(15,763)**	(13,969)	**(15,763)**	(13,969)
Total liabilities									**41,038**	34,224	**–**	–	**41,038**	34,224
Other segment information:														
Capital expenditure	**578**	668	**497**	159,002	**155**	1,182	**–**	–	**1,230**	160,852	**81**	5,225	**1,311**	166,077
Depreciation and amortisation	**585**	595	**18,325**	13,379	**1,406**	2,331	**232**	–	**20,548**	16,305	**–**	9,025	**20,548**	25,330
Impairment losses recognised in profit or loss in respect of:														
Intangible assets	**–**	–	**28,327**	–	**–**	–	**–**	–	**28,327**	–	**–**	–	**28,327**	–
Property, plant and equipment	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	65,918	**–**	65,918
Share of profit of an associate	**257**	133	**–**	–	**–**	–	**–**	–	**257**	133	**–**	–	**257**	133

5. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2013 HK$'000	2012 HK$'000
Hong Kong	194,113	187,420
Mainland China	11,390	6,051
	205,503	193,471

(b) Non-current assets

	2013 HK$'000	2012 HK$'000
Hong Kong	101,677	147,695
Mainland China	38,346	15,429
	140,023	163,124

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

Information about a major customer

Revenue from continuing operations of approximately HK$59,365,000 (2012: HK$63,082,000) was derived from revenue by the cleaning and related services segment to a single customer.

6. REVENUE, OTHER INCOME AND GAINS

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

		The Group	
		2013	2012
	Note	**HK$'000**	HK$'000
Revenue			
Cleaning and related service fee income		**193,109**	187,356
Television screen broadcast business income		**1,003**	64
Medical waste treatment income		**7,055**	6,051
Management consulting services income		**4,336**	–
		205,503	193,471
Other income and gains			
Bank interest income		**630**	148
Amortisation of deferred income*	29	**462**	464
Management fee received		**68**	160
Sundry income		**821**	382
		1,981	1,154

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

7. LOSS BEFORE TAX

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

		The Group			
		2013		2012	
		Continuing operations	**Discontinued operation**	Continuing operations	Discontinued operation
	Notes	**HK$'000**	**HK$'000**	HK$'000	HK$'000
Cost of services rendered*		**178,127**	**–**	170,610	–
Cost of inventories sold*		**–**	**–**	–	481
Auditors' remuneration		**1,010**	**–**	1,320	110
Minimum lease payments under operating leases in respect of land and buildings		**2,670**	**–**	4,477	–
Depreciation	15	**4,447**	**–**	1,800	9,025
Amortisation of intangible assets	17	**16,101**	**–**	14,505	–
Employee benefit expenses (including directors' remuneration *(Note 9)*)					
Wages, salaries and other benefits		**155,773**	**671**	155,429	1,297
Equity-settled share option expenses		**–**	**–**	443	–
Retirement benefit scheme contributions		**6,802**	**3**	6,580	209
Forfeited contributions		**–**	**–**	(26)	–
Provision for long service payments, net	28	**401**	**–**	1,413	–
Provision for untaken paid leave		**875**	**–**	639	–
Total employee benefit expenses		**163,851**	**674**	164,478	1,506
Impairment of intangible assets	17	**28,327**	**–**	–	–
Impairment of property, plant and equipment	15	**–**	**–**	–	65,918
Loss on property, plant and equipment written off		**–**	**–**	1	–
Loss on disposal of items of property, plant and equipment		**113**	**–**	10	–
Impairment of trade receivables**		**–**	**–**	–	32

* The cost of services rendered included an employee benefit expenses of approximately HK$149,058,000 (2012: HK$147,608,000 incurred in the provision of services which has been included in the employee benefit expenses above.

The cost of inventories sold for the year ended 31 March 2012 included an amount of depreciation of approximately HK$161,000.

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

8. FINANCE COSTS

An analysis of finance costs is as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
Interest on a bank overdraft	**19**	62
Interest on a finance lease	**12**	17
	31	79

All finance costs are from continuing operations only.

9. DIRECTORS' REMUNERATION

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

	The Group	
	2013	2012
	HK$'000	HK$'000
Fees	**810**	442
Other emoluments:		
Salaries and allowances	**1,050**	5,317
Equity-settled share option expenses	**–**	276
Retirement benefit scheme contributions	**43**	366
	1,093	5,959
	1,903	6,401

In the prior years, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in Note 31 to the consolidated financial statements. The fair value of such options, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the consolidated financial statements for the year ended 31 March 2012 is included in the above directors' remuneration disclosures.

9. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors

	Fees HK$'000	Retirement benefit scheme contributions HK$'000	Total remuneration HK$'000
2013			
Mr. Xu Rong *(Re-designated on 28 December 2012)*	120	–	120
Ms. Xu Zhijuan	450	–	450
Mr. Tang Binfeng	120	–	120
Mr. Wang Qi	120	7	127
	810	7	817
2012			
Mr. Chiu Wai Piu *(Resigned on 2 November 2011)*	91	4	95
Mr. Cheng Kai Tai, Allen *(Resigned on 2 November 2011)*	111	4	115
Ms. Xu Zhijuan	50	–	50
Mr. Tang Binfeng	50	–	50
Mr. Wang Qi	140	7	147
	442	15	457

There were no other emoluments payable to the independent non-executive directors during the year (2012: Nil).

(b) Executive directors and a non-executive director

	Salaries and allowances HK$'000	Equity-settled share option expenses HK$'000	Retirement benefit scheme contributions HK$'000	Total remuneration HK$'000
2013				
Executive directors:				
Mr. Ju Mengjun *(Co-chairman)*	–	–	–	–
Dr. Lo Kou Hong *(Co-chairman)*	390	–	36	426
Mr. Xu Zugen *(Resigned on 22 June 2013)*	–	–	–	–
Mr. Mao Hongcheng *(Will resign on 15 July 2013)*	–	–	–	–
Mr. Chang Loong Cheong	120	–	–	120
Mr. Meng Jin	300	–	–	300
Mr. Shi Guoxiong	120	–	–	120
Mr. Zhou Guanghe	120	–	–	120
Non-executive director:				
Mr. Xu Rong *(Re-designated on 28 December 2012)*	–	–	–	–
	1,050	–	36	1,086

9. DIRECTORS' REMUNERATION (continued)

(b) Executive directors and a non-executive director (continued)

	Salaries and allowances HK$'000	Equity-settled share option expenses HK$'000	Retirement benefit scheme contributions HK$'000	Total remuneration HK$'000
2012				
Executive directors:				
Mr. Ju Mengjun *(Co-chairman)*	–	–	–	–
Dr. Lo Kou Hong *(Co-chairman)*	1,449	87	102	1,638
Mr. Mao Hongcheng	–	–	–	–
Ms. Ko Lok Ping, Maria Genoveffa *(Resigned on 27 September 2011)*	564	87	50	701
Mr. Leung Tai Tsan, Charles *(Resigned on 27 October 2011)*	1,383	51	127	1,561
Mr. Cheung Pui Keung, James *(Resigned on 27 October 2011)*	682	51	60	793
Mr. Chang Loong Cheong	50	–	6	56
Mr. Meng Jin	200	–	–	200
Mr. Shi Guoxiong	50	–	–	50
Mr. Zhou Guanghe	50	–	–	50
Mr. Cheung Ming *(Resigned on 21 October 2011)*	839	–	6	845
	5,267	276	351	5,894
Non-executive director:				
Mr. Xu Rong	50	–	–	50
	5,317	276	351	5,944

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

During the years ended 31 March 2013 and 2012, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group.

The Group does not have any Chief Executive Officer during years ended 31 March 2013 and 2012.

Senior management of the Group represents the executive directors during the years ended 31 March 2013 and 2012.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year does not included any (2012: four) director, details of whose remuneration are set out in Note 9 above. Details of the remuneration of the remaining five (2012: one) non-directors, highest paid employee for the year are as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
Salaries and allowances	**4,460**	1,084
Retirement benefit scheme contributions	**275**	37
	4,735	1,121

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

	Number of employees	
	2013	2012
Nil to HK$1,000,000	**3**	1
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**1**	–
	5	1

In the prior years, share options were granted to the non-director, highest paid employee in respect of his services to the Group, further details of which are set out in Note 31 to the consolidated financial statements. The fair value of such options, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the consolidated financial statements for the year ended 31 March 2012 is included in the above non-director, highest paid employee's remuneration disclosures.

During the years ended 31 March 2013 and 2012, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group.

11. INCOME TAX EXPENSES

	Note	The Group 2013 HK$'000	2012 HK$'000
Tax charge from continuing operations for the year		**219**	–
Tax charge from a discontinued operation for the year	13	**–**	–
		219	–

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2012: Nil).

The corporate income tax has been provided for subsidiaries in Mainland China based on assessable profits arising in Mainland China during the year (2012: Nil). Subsidiaries located in the People's Republic of China (the "PRC") are subject to the PRC corporate income tax at a rate of 25% on its assessable profits.

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

	The Group					
	Hong Kong		Mainland China		Total	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Profit/(loss) before tax from continuing operations	**(56,485)**	(34,531)	**2,922**	197	**53,563**	(34,334)
Tax at the statutory tax rate	**(9,320)**	(5,698)	**730**	49	**(8,590)**	(5,649)
Income not subject to tax	**(472)**	(111)	**(2)**	(6)	**(474)**	(117)
Expenses not deductible for tax	**7,890**	3,461	**26**	97	**7,916**	3,558
Tax losses utilised from previous years	**(237)**	–	**(535)**	(284)	**(772)**	(284)
Tax losses not recognised	**2,139**	2,348	**–**	144	**2,139**	2,492
Tax at the Group's effective rate	**–**	–	**219**	–	**219**	–

The Group has tax losses arising in Hong Kong of approximately HK$62,149,000 (2012: HK$44,996,000) which are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses because in the opinion of the directors, it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

The Group has tax losses arising in Mainland China of approximately HK$1,833,000 (2012: HK$3,975,000) and approximately HK$42,764,000 (2012: HK$41,143,000) for continuing operations and a discontinued operation, respectively, that are available for five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses because it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

12. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year ended 31 March 2013 includes a loss of HK$48,432,000 (2012: HK$17,519,000) which has been dealt with in the consolidated financial statements of the Company (Note 32(b)).

13. DISCONTINUED OPERATION

On 11 January 2012, the Company announced that the Group had entered into Agreement with the Shuyang Municipal Government to terminate the investment agreement relating to the waste treatment business, namely, the operation of Shuyang ITAD Environmental Technology Limited ("Shuyang ITAD") municipal waste treatment plant located in Shuyang County, Jiangsu Province, the PRC on 9 January 2012. As at 31 March 2013 and 2012, the waste treatment business was classified as a discontinued operation. As at 31 March 2013, the Group is still in negotiation with an independent state-owned enterprise in respect of the sale of Shuyang ITAD.

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

	Notes	**2013** **HK$'000**	2012 HK$'000
Revenue		**–**	123
Cost of sales of fertilisers		**–**	(481)
Other income and gains		**211**	36
Impairment of property, plant and equipment	15	**–**	(65,918)
Expenses		**(2,524)**	(13,295)
Loss before tax from discontinued operation		**(2,313)**	(79,535)
Income tax expenses	11	**–**	–
Loss for the year from discontinued operation		**(2,313)**	(79,535)

13. DISCONTINUED OPERATION (continued)

The major classes of assets and liabilities of the waste treatment business classified as held for sale as at 31 March 2013 and 2012 are as follows:

	Notes	2013 HK$'000	2012 HK$'000
Assets			
Property, plant and equipment	15	**22,892**	23,251
Trade receivables		**–**	61
Prepayments, deposits and other receivables		**1,217**	1,232
Pledged time deposit		**–**	10,049
Cash and cash equivalents		**354**	459
Assets classified as held for sale		**24,463**	35,052
Liabilities			
Trade payables		**52**	52
Other payables and accruals		**4,778**	4,283
Tax payable		**283**	283
Loans from a director	26	**10,650**	9,351
Liabilities directly associated with the assets classified as held for sale		**15,763**	13,969
Net assets classified as held for sale		**8,700**	21,083

The directors estimated the recoverable amount of the property, plant and equipment by comparing the higher of the carrying amount and the fair value less costs to sell based on the valuation report prepared by an independent professional valuer. The directors concluded that it was appropriate to recognise impairment losses of HK$65,918,000 against the buildings and tools and machinery as at 31 March 2012 (Note 15). No additional impairment provision was recognised during the year ended 31 March 2013.

13. DISCONTINUED OPERATION (continued)

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

	2013 HK$'000	2012 HK$'000
Operating activities	**(11,387)**	(3,968)
Investing activities	**9,968**	(838)
Financing activities	**1,299**	4,552
	(120)	(254)
Effect of foreign exchange rate changes, net	**15**	–
Net cash outflow	**(105)**	(254)
Loss per share:		
Basic and diluted, from the discontinued operation	**(0.13) HK cents**	(4.92) HK cents

The calculation of the basic and diluted loss per share from the discontinued operation is based on:

	2013 HK$'000	2012 HK$'000
Loss attributable to ordinary equity holders of the Company from the discontinued operation	**1,621**	55,677

	Note	Number of shares 2013	 2012
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	14	**1,237,003,541**	1,131,086,264

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 March 2013 and 2012 in respect of a dilution as the impact of the warrants and share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

14. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

Basic and diluted loss per share

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,237,003,541 (2012: 1,131,086,264) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 March 2013 and 2012 in respect of a dilution as the impact of the warrants and share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

The calculation of the basic and diluted loss per share is based on:

	2013	2012
	HK$'000	HK$'000
Loss		
Loss attributable to ordinary equity holders of the Company, used in the basic and diluted loss per share calculation:		
– Continuing operations	**(54,948)**	(34,363)
– Discontinued operation	**(1,621)**	(55,677)

	Number of shares	
	2013	2012
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	**1,237,003,541**	1,131,086,264

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Tools and machinery HK$'000	Total HK$'000
Cost						
At 1 April 2011	49,105	1,017	6,141	5,345	68,946	130,554
Additions	2,919	4,509	1,158	–	5,027	13,613
Disposals	–	–	(848)	–	–	(848)
Written off	–	–	(25)	–	–	(25)
Assets classified as held for sale *(Note 13)*	(53,153)	–	(1,218)	(775)	(68,710)	(123,856)
Exchange realignment	1,129	–	40	70	1,159	2,398
At 31 March 2012 and 1 April 2012	–	5,526	5,248	4,640	6,422	21,836
Additions	–	428	131	–	521	1,080
Disposals	–	(902)	(838)	–	(469)	(2,209)
Acquisition of subsidiaries during the year *(Note 33)*	–	332	–	982	13	1,327
Exchange realignment	–	4	3	27	–	34
At 31 March 2013	**–**	**5,388**	**4,544**	**5,649**	**6,487**	**22,068**
Accumulated depreciation and impairment						
At 1 April 2011	8,512	1,017	4,396	2,922	19,384	36,231
Charge for the year	2,408	575	670	578	6,594	10,825
Written back on disposals	–	–	(835)	–	–	(835)
Written off	–	–	(24)	–	–	(24)
Eliminated on classified as held for sale *(Note 13)*	(31,056)	–	(974)	(601)	(67,974)	(100,605)
Impairment for the year *(Note 13)*	20,065	–	–	–	45,853	65,918
Exchange realignment	71	–	23	28	195	317
At 31 March 2012 and 1 April 2012	–	1,592	3,256	2,927	4,052	11,827
Charge for the year	–	2,340	508	664	935	4,447
Written back on disposals	–	(902)	(824)	–	(370)	(2,096)
Exchange realignment	–	–	2	10	–	12
At 31 March 2013	**–**	**3,030**	**2,942**	**3,601**	**4,617**	**14,190**
Carrying amount						
At 31 March 2013	**–**	**2,358**	**1,602**	**2,048**	**1,870**	**7,878**
At 31 March 2012	–	3,934	1,992	1,713	2,370	10,009

15. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group (continued)

At 31 March 2013 and 2012, the Group was in the process of obtaining the building ownership certificates of the Group's buildings. Notwithstanding this, the directors are of the opinion that the Group has obtained the legal rights to use these assets as at 31 March 2013 and 2012, and that the building ownership certificates can be obtained in the near future.

On 11 January 2012, the Group terminated its waste treatment business as detailed in Note 13. The directors considered that the existence of the above conditions indicated that non-current assets of the Group might be impaired. In view of this, the directors estimated the recoverable amount by comparing the higher of the carrying amount and the fair value less costs to sell based on the valuation report prepared by an independent professional valuer. The directors concluded that it was appropriate to recognise impairment losses of HK$65,918,000 against the buildings and tools and machinery as at 31 March 2012.

16. GOODWILL

The Group

	Note	HK$'000
Cost		
At 1 April 2011, 31 March 2012 and 1 April 2012		39,185
Acquisition of subsidiaries during the year	33	22,960
At 31 March 2013		**62,145**
Accumulated impairment		
At 1 April 2011, 31 March 2012, 1 April 2012 and 31 March 2013		**39,185**
Carrying amount		
At 31 March 2013		**22,960**
At 31 March 2012		–

16. GOODWILL (continued)

Goodwill is allocated to the Group's cash-generating units identified according to business segment as follows:

	2013 HK$'000	2012 HK$'000
Management consulting services	**22,960**	–
Medical waste treatment	**–**	–
	22,960	–

Management consulting services:

During the year ended 31 March 2013, goodwill was resulted from the acquisition of 100% equity interest of Pan Asia Century Holdings Limited ("PAC Holdings") and its subsidiaries (collectively known as "Pan Asia Group"). The principal activity of Pan Asia Group is management consulting services.

The recoverable amount of this cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a ten-year period, and a pre-tax discount rate of 24.17% per annum. Cash flow projections during the budget period are based on management consulting services provided and associated cost of sales throughout the budget period. As the management consulting services is a new developed business segment of the Group, the directors consider that the ten-year budget period can reflect a better understanding and oversight of this cash-generating unit. The cash flows beyond that ten-year period have been extrapolated using a steady 3% per annum growth rate which is the projected long-term average growth rate for the management consulting services. The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the group of units to exceed the aggregate its recoverable amount.

Medical waste treatment:

Goodwill acquired through business combination in the year ended 31 March 2008 related to medical waste treatment cash-generating unit of HK$39,185,000 has been fully impaired.

17. INTANGIBLE ASSETS

The Group

	Medical waste treatment HK$'000	Free right HK$'000	Total HK$'000
Cost			
At 1 April 2011	32,080	–	32,080
Additions	1,178	151,286	152,464
Exchange realignment	737	–	737
At 31 March 2012 and 1 April 2012	33,995	151,286	185,281
Additions	150	–	150
Exchange realignment	231	–	231
At 31 March 2013	**34,376**	**151,286**	**185,662**
Accumulated amortisation and impairment			
At 1 April 2011	17,863	–	17,863
Amortisation during the year	1,898	12,607	14,505
Exchange realignment	76	–	76
At 31 March 2012 and 1 April 2012	19,837	12,607	32,444
Amortisation during the year	972	15,129	16,101
Impairment for the year	–	28,327	28,327
Exchange realignment	140	–	140
At 31 March 2013	**20,949**	**56,063**	**77,012**
Carrying amount			
At 31 March 2013	**13,427**	**95,223**	**108,650**
At 31 March 2012	14,158	138,679	152,837

17. INTANGIBLE ASSETS (continued)

The Company

	Free right HK$'000
Cost	
At 1 April 2011	–
Additions	151,286
Exchange realignment	–
At 31 March 2012, 1 April 2012 and 31 March 2013	**151,286**
Accumulated amortisation and impairment	
At 1 April 2011	–
Amortisation during the year	12,607
At 31 March 2012 and 1 April 2012	12,607
Amortisation during the year	15,129
Impairment for the year	28,327
At 31 March 2013	**56,063**
Carrying amount	
At 31 March 2013	**95,223**
At 31 March 2012	138,679

Medical waste treatment represents the assets from the related business segment which recognise as intangible asset under HK(IFRIC) – Int 12 when the Group receives a right to charge users of the public service. Free right arise from a cooperation agreement with Xinhua News Agency Asia-Pacific Regional Bureau Limited ("APRB") for the development of the TV screen broadcast business (the "Cooperation Agreement"). The following useful lives are used in the calculation of amortisation:

Medical waste treatment	20 years
Free right	10 years

According to the Cooperation Agreement with APRB, the Group is entitled to receive compensation from APRB if the revenue generated from free right is less than HK$30,000,000 and HK$100,000,000 in the year ended 31 December 2011 and 2012 respectively. The Group is still in negotiation with APRB in relation to the terms of the compensation.

17. INTANGIBLE ASSETS (continued)

Impairment testing on intangible assets

The directors estimated the recoverable amount of the cash-generating units by comparing the higher of the fair value less costs to sell and the value in use of the cash-generating units based on the discounted cash flows prepared by the management.

Medical waste treatment:

The estimates of the recoverable amount of the medical waste treatment as at 31 March 2013 and 2012 were determined based on a value in use calculation using cash flow projections based on the five-year financial forecast approved by the directors. Cash flows beyond the five-year period had been extrapolated through to the end of the fiscal year in 2027, which is the maturity year of the public service providing by the Group, to cover the remaining useful lives of related non-current assets. No impairment on medical waste treatment was recognised during the year ended 31 March 2013 and 2012.

Key assumptions used for the value in use calculation:

	2013	2012
Growth rate:	**5%**	3%
Pre-tax discount rate:	**18%**	15%

Free right:

The estimates of the recoverable amount of the free right as at 31 March 2013 and 2012 were determined based on a value in use calculation using cash flow projections based on the five-year financial forecast approved by the directors together with a pre-tax discount rate of 22.4% (2012: 24.7%) by reference to the valuation performed by an independent professional valuer. Cash flows beyond the five-year period had been extrapolated through to the end of the fiscal year in 2021, which is the end of contractual period of Cooperation Agreement, to cover the remaining useful lives of related non-current assets.

Impairment loss on free right of HK$28,327,000 was recognised during the year ended 31 March 2013 due to the decrease in value in use as a result of the reduction in projected revenue during the forecast period as compared with the original cash flow forecast.

18. INVESTMENTS IN SUBSIDIARIES

	The Company 2013 HK$'000	The Company 2012 HK$'000
Unlisted share/investments, at cost	**59,522**	59,521
Due from subsidiaries	**286,509**	263,134
	346,031	322,655
Impairment*	**(213,006)**	(213,006)
	133,025	109,649
Portion classified as current assets	**(800)**	(800)
Non-current portion	**132,225**	108,849

* An impairment was recognised for certain unlisted investments and amounts due from subsidiaries with a carrying amount of HK$248,096,000 (before deducting the impairment loss) (2012: HK$224,721,000) because of the deteriorating operating results of certain subsidiaries. No additional impairment loss was recognised for the year ended 31 March 2013.

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

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Sinopoint Corporation	British Virgin Islands/ Hong Kong	US$100 Ordinary	100	–	Investment holding
Lo's Cleaning Services Limited	Hong Kong	HK$100 Ordinary HK$26,768,000 Non-voting deferred	–	100	Provision of cleaning and related services
Lo's Airport Cleaning Services Limited*	Hong Kong	HK$10,000 Ordinary	–	100	Dormant
Yangi Construction & Engineering Limited*	Hong Kong	HK$100 Ordinary	–	100	Dormant
Honest Grand International Limited	British Virgin Islands/ Hong Kong	US$100 Ordinary	–	100	Investment holding
Victory Joy International Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary	–	100	Investment holding

18. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Seasun Group Limited	British Virgin Islands/ Hong Kong	US$3,000 Ordinary	–	65	Investment holding
Lo's Tsinghua Daring Medical Waste Treatment (China) Holdings Limited	Hong Kong	HK$1 Ordinary	–	65	Investment holding
Oriental Emperor Holdings Limited	British Virgin Islands/ Hong Kong	US$100 Ordinary	–	55	Investment holding
Lo's Tsinghua Daring Environmental Technology Holdings Limited	Hong Kong	HK$1 Ordinary	–	55	Investment holding
Siping Lo's Tsinghua Daring Environmental Technology Limited#	PRC/Mainland China	HK$10,000,000	–	55	Provision of medical waste treatment services
Suifa Lo's Tsinghua Daring Environmental Technology Limited#	PRC/Mainland China	HK$10,000,000	–	55	Provision of medical waste treatment services
Heihe Lo's Tsinghua Daring Environmental Technology Limited#	PRC/Mainland China	HK$10,000,000	–	55	Dormant
Marce International Limited	British Virgin Islands/ Hong Kong	US$100 Ordinary	–	100	Investment holding
Peixin Group Limited	British Virgin Islands/ Hong Kong	–	–	70	Investment holding
Shuyang ITAD Environment Technology Limited#	PRC/Mainland China	RMB62,500,000	–	70	Provision of waste treatment services
Xinhua News Media Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary	100	–	Provision of television screen broadcast business

18. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Ally Thrive Investments Limited**	British Virgin Islands/ Hong Kong	US$100 Ordinary	100	–	Investment holding
Pan Asia Century Holdings Limited***	British Virgin Islands/ Hong Kong	US$1 Ordinary	–	100	Investment holding
Pan Asia Century Investments Limited***	Hong Kong	HK$1 Ordinary	–	100	Investment holding
Shanghai GoalReal Investments Advisory Company Limited***	PRC/Mainland China	RMB20,000,000	–	51	Provision of management consulting services

* Deregistered on 18 May 2012.

** Incorporated on 10 August 2012.

*** Acquired on 24 September 2012.

Registered as wholly foreign-owned enterprises under PRC Law.

19. INVENTORIES

	The Group 2013 HK$'000	The Group 2012 HK$'000
Finished goods	**151**	93

20. INVESTMENT IN AN ASSOCIATE

	The Group	
	2013	2012
	HK$'000	HK$'000
Unlisted share, at cost	**4**	4
Share of net assets	**531**	274
	535	278
Amount due from an associate	**1,265**	1,375

The amount due from an associate is unsecured, bears interest at a rate of 5% per annum and is repayable on or before 14 November 2013. The carrying amount of the amount due from an associate approximates to its fair value.

Particulars of the associate are as follows:

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

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

	2013	2012
	HK$'000	HK$'000
Assets	**3,249**	2,696
Liabilities	**1,912**	2,000
Revenue	**2,000**	2,121
Profit	**641**	333

21. DERIVATIVE FINANCIAL ASSET

Derivative financial asset represents the fair value of the consideration adjustment arose from the acquisition of Pan Asia Group as at 31 March 2013. The Group will receive an amount as consideration if the actual net profit of the Pan Asia Group for the 12-month period commencing from the acquisition completion date falls below HK$10,000,000. The fair value of the derivative financial asset was Nil and approximately HK$2,006,000 as at 24 September 2012 and 31 March 2013 respectively. The fair value of derivative financial asset was reference to the valuation performed by an independent professional valuer.

22. TRADE RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	The Group	
	2013	2012
	HK$'000	HK$'000
Trade receivables	**39,258**	29,838

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of 30 days, extending up to 90 days for customers with a long-term relationship. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	The Group	
	2013	2012
	HK$'000	HK$'000
Within 30 days	**16,234**	15,507
31 to 60 days	**9,190**	9,038
61 to 90 days	**3,491**	4,393
91 to 120 days	**10,018**	359
Over 120 days	**325**	541
	39,258	29,838

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

		The Group	
		2013	2012
	Note	**HK$'000**	HK$'000
At the beginning of the year		**–**	435
Impairment losses recognised	7	**–**	32
Included in a discontinued operation		**–**	(467)
At the end of the year		**–**	–

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

The above provision for impairment of trade receivables is individually impaired. The individually impaired trade receivables relate to customers that were in default or delinquency payments.

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

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

The Group's other receivables include cash advances to certain third parties and amount due from non-controlling interest which are non-interest-bearing and their carrying amounts approximate to their fair values. Other receivables were neither past due nor impaired at the end of the reporting period.

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**2,593**	2,386	**–**	–
Deposits	**8,516**	7,801	**–**	–
Other receivables	**26,789**	97	**178**	1
	37,898	10,284	**178**	1

23. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**32,597**	9,436	**155**	103
Time deposits	**40,108**	70,128	**–**	54
	72,705	79,564	**155**	157
Less: Pledged short-term time deposits for banking facilities	**(10,022)**	(4,001)	**–**	–
Cash and cash equivalents	**62,683**	75,563	**155**	157

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$5,799,000 (2012: HK$1,116,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

At the end of the reporting period, the Group's banking facilities were secured by the pledge of certain of the Group's time deposits amounting to approximately HK$10,022,000 (2012: HK$4,001,000).

24. TRADE PAYABLES

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

	The Group	
	2013	2012
	HK$'000	HK$'000
Within 30 days	**1,490**	2,155
31 to 60 days	**842**	–
61 to 90 days	**45**	85
Over 90 days	**2,140**	–
	4,517	2,240

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

25. OTHER PAYABLES AND ACCRUED LIABILITIES

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other payables	**9,174**	1,196	**373**	289
Accrued liabilities *(Note)*	**19,086**	22,259	**595**	583
	28,260	23,455	**968**	872

Note: Accrued liabilities mainly represent the staff cost and benefit incurred in the Group.

26. LOANS FROM A DIRECTOR

As at 31 March 2013, the balance of approximately HK$10,650,000 (2012: HK$9,351,000) (Note 13) is included in a discontinued operation. The loans are unsecured, interest-free and not repayable within the next twelve months except for a loan of approximately HK$371,000 (2012: Nil) which is repayable within the next twelve months.

27. FINANCE LEASE PAYABLE

The Group leases certain of its plant and machinery for its business. These leases are classified as finance leases and have remaining lease terms for two (2012: three) years.

At 31 March 2013 and 2012, the total future minimum lease payments under finance leases and their present values are as follows:

The Group

	Minimum lease payments		Present value of minimum lease payments	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable:				
Within one year	**60**	60	**52**	48
In the second year	**60**	60	**57**	52
In the third to fifth years, inclusive	**–**	60	**–**	57
Total minimum finance lease payments	**120**	180	**109**	157
Future finance charges	**(11)**	(23)		
Total net finance lease payables	**109**	157		
Portion classified as current liabilities	**(52)**	(48)		
Non-current portion	**57**	109		

28. PROVISION FOR LONG SERVICE PAYMENTS

	Note	The Group 2013 HK$'000	2012 HK$'000
At the beginning of the year		**1,531**	592
Provision for long service payments, net	7	**401**	1,413
Amounts utilised during the year		**(422)**	(474)
At the end of the year		**1,510**	1,531

The Group provides for probable future long service payments expected to be made to employees under the Employment Ordinance, as further explained under the heading "Employee benefits" in Note 3 to the consolidated financial statements. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their services to the Group at the end of the reporting period.

29. DEFERRED INCOME

	The Group 2013 HK$'000	2012 HK$'000
Cost		
At 1 April	**7,488**	7,320
Exchange realignment	**51**	168
At 31 March	**7,539**	7,488
Accumulated amortisation		
At 1 April	**647**	180
Amortisation during the year	**462**	464
Exchange realignment	**7**	3
At 31 March	**1,116**	647
Net carrying amount	**6,423**	6,841

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

30. SHARE CAPITAL

	2013 HK$'000	2012 HK$'000
Authorised:		
2,000,000,000 ordinary shares of HK$0.01 each	**20,000**	20,000
Issued and fully paid:		
1,302,286,040 (2012: 1,166,899,040) ordinary shares of HK$0.01 each	**13,023**	11,669

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

	Notes	Number of shares in issue	Issued capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Total HK$'000
At 1 April 2011		906,318,000	9,063	245,147	16,870	271,080
New shares issued for acquisition	(a), 34	214,681,040	2,147	149,139	–	151,286
Placement of new shares	(b)	45,900,000	459	31,671	–	32,130
Share issue expenses		–	–	(2,138)	–	(2,138)
Equity-settled share option arrangements		–	–	–	443	443
At 31 March 2012 and 1 April 2012		1,166,899,040	11,669	423,819	17,313	452,801
New shares issued for acquisition	(c), 33, 34	135,387,000	1,354	27,077	–	28,431
At 31 March 2013		**1,302,286,040**	**13,023**	**450,896**	**17,313**	**481,232**

Notes:

(a) During the year ended 31 March 2012, 214,681,040 shares of HK$0.01 each of the Company were issued at a price of HK$0.70 per share as the consideration for the Group's acquisition of the free right.

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

(c) On 24 September 2012, 135,387,000 ordinary shares of HK$0.01 each of the Company were issued at a price of HK$0.2142 per share as part of the consideration for the Group's acquisition of the Pan Asia Group. The fair value of the new ordinary shares issued based on the quoted closing price of the Company's share was HK$0.21.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in Note 31 to the consolidated financial statements.

30. SHARE CAPITAL (continued)

Warrants

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

The remaining unexercised warrants of 42,000,000 shares of HK$0.015 each expired during the year ended 31 March 2012 and the related warrant reserve of HK$630,000 was transferred to accumulated losses.

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

During the year ended 31 March 2012, 45,900,000 warrants of HK$0.01 each were issued pursuant to the third warrant placing agreement for a total cash consideration, before related expenses, of HK$459,000.

No warrants were exercised during the year ended 31 March 2013. All outstanding warrants which remained unexercised were expired during the year and the related warrant reserve of HK$765,000 was transferred to accumulated losses.

31. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Share Option Scheme are the employees of the Group (including any executive director, non-executive director, independent non-executive director) or any consultant of the Group. The Share Option Scheme was adopted by the Company's shareholders on 24 April 2003 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The Share Option Scheme expired on 23 April 2013.

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

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to approval in advance by the independent non-executive directors of the Company (excluding independent non-executive director who is the grantee of the options). In addition, any grant of share options to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, which would result in the shares issued and to be issued upon exercise of all options already granted and to be granted to such person in the 12-month period up to and including the date of the grant in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5,000,000, is subject to shareholders' approval in advance in a general meeting.

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

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

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

31. SHARE OPTION SCHEME (continued)

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

	2013		2012	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At the beginning of the year	**0.275**	**19,000**	0.82	36,500
Forfeited during the year	**–**	**–**	1.41	(40)
Expired during the year	**–**	**–**	1.41	(17,460)
At the end of the year	**0.275**	**19,000**	0.275	19,000

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

Year ended	Number of options '000	Exercise price* HK$ per share	Exercise period
2013	**19,000**	**0.275**	**22/4/05 – 21/4/15**
2012	19,000	0.275	22/4/05 – 21/4/15

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

No share option expense was recognised by the Group (2012: share option expense of approximately HK$443,000) during the year ended 31 March 2013.

At the end of the reporting period, the Company had 19,000,000 share options outstanding under the Share Option Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issuance of 19,000,000 additional ordinary shares of the Company and additional share capital of HK$190,000 and share premium of HK$5,035,000 (before issue expenses).

At the date of approval of these consolidated financial statements, the Company had 19,000,000 share options outstanding under the Share Option Scheme, which represented approximately 1.46% of the Company's shares in issue as at that date.

32. RESERVES

(a) The Group

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

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

32. RESERVES (continued)

(a) The Group (continued)

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

(b) The Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Equity component of convertible notes HK$'000	Share option reserve HK$'000	Warrant reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2011	245,147	254	65,000	16,870	936	59,511	(248,828)	138,890
Issue of shares *(Note 30)*	180,810	–	–	–	–	–	–	180,810
Issue of warrants *(Note 30)*	–	–	–	–	459	–	–	459
Total comprehensive loss for the year	–	–	–	–	–	–	(17,519)	(17,519)
Release upon maturity of convertible notes	–	–	(65,000)	–	–	–	–	(65,000)
Release of warrants	–	–	–	–	(630)	–	630	–
Share issue expenses *(Note 30)*	(2,138)	–	–	–	–	–	–	(2,138)
Equity-settled share option arrangements	–	–	–	443	–	–	–	443
At 31 March 2012 and 1 April 2012	423,819	254	–	17,313	765	59,511	(265,717)	235,945
Issue of shares *(Note 30)*	27,077	–	–	–	–	–	–	27,077
Total comprehensive loss for the year	–	–	–	–	–	–	(48,432)	(48,432)
Release of warrants	–	–	–	–	(765)	–	765	–
At 31 March 2013	**450,896**	**254**	**–**	**17,313**	**–**	**59,511**	**(313,384)**	**214,590**

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

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in Note 3 to the consolidated financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to accumulated losses should the related options expire or be forfeited.

33. ACQUISITION OF SUBSIDIARIES

On 24 September 2012, the Group completed the acquisition of 100% equity interest of PAC Holdings and shareholders' loan of HK$22,140,000 at a consideration of HK$41,000,000.

PAC Holdings was incorporated on 23 April 2012 in the British Virgin Islands with limited liability, whose principal business is investment holding. PAC Holdings owns the entire issued share capital of Pan Asia Century Investments Limited which holds 51% of the entire equity interest in GoalReal. GoalReal is principally engaged in (i) investment management and consulting services, (ii) management solutions for hospitals, and (iii) sales of medical equipment.

The total consideration of HK$41,000,000 was satisfied in the following manner:

(a) HK$12,000,000 paid in cash; and

(b) HK$29,000,000 settled as follows:

 (i) HK$28,999,895.40 settled by the allotment and issue of 135,387,000 consideration shares at HK$0.2142 per share; and

 (ii) the balance to be paid in cash.

The total consideration is subject to adjustment if the actual net profit of the Pan Asia Group for the 12-month period commencing from the completion date falls below HK$10,000,000, in which case Pan Asia Century Consulting Limited shall pay to the Group an amount calculated as: (HK$10,000,000 – actual net profit) x 51%. The fair value of such consideration adjustment was Nil as at acquisition date.

The carrying amount and fair value of the net assets acquired and the goodwill arising from the acquisition of the Pan Asia Group are as follows:

	HK$'000
Property, plant and equipment	**1,327**
Trade receivables	**7,486**
Prepayments, deposits and other receivables	**15,971**
Cash and cash equivalents	**21,674**
Other payables and accrued liabilities	**(12,163)**
	34,295
Less: Non-controlling interest*	**(16,824)**
	17,471
Goodwill arising on acquisition *(Note 16)***	**22,960**
Consideration	**40,431**

33. ACQUISITION OF SUBSIDIARIES (continued)

None of the goodwill arising on the acquisition is expected to be deductible for tax purpose.

	HK$'000
Satisfied by:	
Cash	**12,000**
New ordinary share issued***	**28,431**
	40,431

Note:

* The non-controlling interest in GoalReal recognised at the completion date was measured by reference to the proportionate share of GoalReal's identifiable net assets and amount to approximately HK$16,824,000.

** Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire the Pan Asia Group. In addition, the consideration paid for the combination included amounts in relation to the revenue growth and future economic benefits arising from them which cannot be measured reliably.

*** The fair value of the new ordinary shares issued was based on the quoted closing price of the Company's share of HK$0.21 at the date of acquisition and 135,387,000 shares.

Net cash inflow on acquisition of the Pan Asia Group is as follow:

	HK$'000
Cash and cash equivalents	**21,674**
Less: Consideration paid in cash	**(12,000)**
	9,674

Pan Asia Group had revenue and profit of approximately HK$4,336,000 and HK$652,000, respectively, for the year ended 31 March 2013. Had the acquisition of Pan Asia Group been effected at 1 April 2012, revenue and loss of approximately HK$4,336,000 and HK$86,000 would have been included in the consolidated statement of comprehensive income. The directors of the Group consider these pro forma information represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

34. NON-CASH TRANSACTIONS

(i) During the year ended 31 March 2012, the Group acquired a free right for developing the television screen broadcast business at a consideration of HK$151,286,000 settled by allotment and issuance of 214,681,040 ordinary shares to an independent third party.

(ii) During the year ended 31 March 2013, the Group acquired 100% equity interest of Pan Asia Group at a consideration of HK$41,000,000 with HK$28,999,895.40 settled by allotment and issuance of 135,387,000 ordinary shares at HK$0.2142 per share.

35. CONTINGENT LIABILITIES

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

(a) The Group has executed performance guarantees to the extent of an aggregate amount of HK$4,838,000 (2012: HK$3,746,000) in respect of certain services provided to various customers by the Group.

(b) The Group had a contingent liability in respect of possible future long service payments to employees under the Employment Ordinance, with a maximum possible amount of approximately HK$2,830,000 as at 31 March 2013 (2012: HK$2,912,000), as further explained under the heading "Employee benefits" in Note 3 to the consolidated financial statements. The contingent liability has arisen because, at the end of the reporting period, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A provision of approximately HK$1,510,000 (2012: HK$1,531,000) in respect of such payments has been made in the consolidated statement of financial position as at 31 March 2013.

(c) During the ordinary course of its business, the Group may from time to time be involved in litigation concerning personal injuries sustained by its employees or third party claimants. The Group maintains insurance cover and, in the opinion of the directors, based on current evidence, any such existing claims should be adequately covered by the insurance as at 31 March 2013 and 2012.

36. OPERATING LEASE ARRANGEMENTS

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

At 31 March 2013 and 2012, 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	**1,219**	1,941
In the second to fifth years, inclusive	**980**	220
	2,199	2,161

37. COMMITMENTS

In addition to the operating lease commitments detailed in Note 36 above, the Group had the following capital expenditure commitments at the end of the reporting period:

	The Group	
	2013	2012
	HK$'000	HK$'000
Contracted, but not provided for:		
Property, plant and equipment	**102**	2,997

38. RELATED PARTY TRANSACTIONS

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

	Notes	2013 HK$'000	2012 HK$'000
Management fee income from a related company	(i)	**60**	60
Interest income from an associate	(ii)	**51**	55
Secondment fee income from a related company	(iii)	**–**	173
Rental expenses to related companies	(iv)	**872**	3,317
Management fee to related companies	(v)	**118**	538

Notes:

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

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

(iii) The secondment fee income was received from a related company on a mutually agreed basis.

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

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

(b) Outstanding balance with related parties:

Details of the Group's amount due from an associate and loans from a director as at the end of the reporting period are disclosed in Notes 20 and 26 to the consolidated financial statements, respectively.

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

	2013 HK$'000	2012 HK$'000
Short-term employee benefits	**1,050**	5,267
Post-employment benefits	**36**	351
Equity-settled share option expenses	**–**	276
Total compensation paid to key management personnel	**1,086**	5,894

Further details of directors' emoluments are included in Note 9 to the consolidated financial statements.

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

39. FINANCIAL INSTRUMENTS BY CATEGORY

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

	The Group	
	2013	2012
	HK$'000	HK$'000
Financial assets		
Loans and receivables		
Due from an associate	**1,265**	1,375
Trade receivables	**39,258**	29,838
Financial assets included in prepayments, deposits and other receivables	**34,232**	7,875
Pledged time deposits	**10,022**	4,001
Cash and cash equivalents	**62,683**	75,563
Financial liabilities		
Financial liabilities at amortised cost		
Trade payables	**4,517**	2,240
Financial liabilities included in other payables and accrued liabilities	**5,989**	7,689
Finance lease payable	**109**	157

	The Company	
	2013	2012
	HK$'000	HK$'000
Financial assets		
Loans and receivables		
Due from subsidiaries	**130,055**	106,680
Cash and cash equivalents	**155**	157
Financial liabilities		
Financial liabilities at amortised cost		
Financial liabilities included in other payables and accrued liabilities	**968**	872

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

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

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

Foreign currency risk

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

Credit risk

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

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

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer. At the end of the reporting period, the Group has certain concentrations of credit risk as 21% and 48% of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively, within the cleaning and related services segment.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in Note 22 to the consolidated financial statements.

Liquidity risk

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

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

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

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

The Group

	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
2013					
Trade payables	**–**	**4,517**	**–**	**–**	**4,517**
Financial liabilities included in other payables and accrued liabilities	**5,989**	**–**	**–**	**–**	**5,989**
Finance lease payable	**–**	**15**	**45**	**60**	**120**
	5,989	**4,532**	**45**	**60**	**10,626**
2012					
Trade payables	–	2,240	–	–	2,240
Financial liabilities included in other payables and accrued liabilities	7,689	–	–	–	7,689
Finance lease payable	–	15	45	120	180
	7,689	2,255	45	120	10,109

The Company

	On demand HK$'000
2013	
Financial liabilities included in other payables and accrued liabilities	**968**
2012	
Financial liabilities included in other payables and accrued liabilities	872

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2013 and 2012.

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

	The Group	
	2013	2012
	HK$'000	HK$'000
Current assets	**153,283**	121,154
Current liabilities	**(33,048)**	(25,743)
Net current assets	**120,235**	95,411
Current ratio	**4.6**	4.7

Fair value of financial instruments

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

(i) The fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively.

(ii) The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models (e.g. discounted cash flow analysis using observable and/or unobservable inputs).

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

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair value of financial instruments (continued)

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for 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 date (unobservable inputs).

The Group

	31 March 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets				
Derivative financial assets	**–**	**–**	**2,006**	**2,006**

	31 March 2012			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets				
Derivative financial assets	–	–	–	–

Reconciliation of Level 3 fair value measurements of financial assets in year ended 31 March 2013

	Consideration adjustment arise from acquisition of subsidiaries HK$'000
Opening balance	–
Gains or losses recognised in profit or loss	2,006
Closing balance	**2,006**

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair value of financial instruments (continued)

The Group (continued)

The gains or losses included in the consolidated statement of comprehensive income for the year ended 31 March 2013 related to the recognition of consideration adjustment arise from the acquisition of Pan Asia Group during the year.

The Company does not have any financial asset and financial liability which is measured at fair value as at 31 March 2013 and 2012.

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

41. COMPARATIVE AMOUNTS

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

42. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 28 June 2013.

FIVE YEAR FINANCIAL SUMMARY

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

RESULTS

	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000
CONTINUING OPERATIONS					
REVENUE	**205,503**	193,471	176,989	176,543	192,761
LOSS BEFORE TAX	**(53,563)**	(34,334)	(31,137)	(9,388)	(32,224)
INCOME TAX EXPENSE	**(219)**	–	–	–	–
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	**(53,782)**	(34,334)	(31,137)	(9,388)	(32,224)
DISCONTINUED OPERATION					
LOSS FOR THE YEAR FROM DISCONTINUED OPERATION	**(2,313)**	(79,535)	(32,268)	(13,499)	(5,713)
LOSS FOR THE YEAR	**(56,095)**	(113,869)	(63,405)	(22,887)	(37,937)
ATTRIBUTABLE TO:					
EQUITY HOLDERS OF THE COMPANY	**(56,569)**	(90,040)	(51,809)	(17,976)	(34,289)
NON-CONTROLLING INTERESTS	**474**	(23,829)	(11,596)	(4,911)	(3,648)
	(56,095)	(113,869)	(63,405)	(22,887)	(37,937)
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**317,769**	319,330	242,131	204,385	220,087
TOTAL LIABILITIES	**(56,801)**	(48,193)	(42,484)	(25,946)	(24,465)
NON-CONTROLLING INTERESTS	**(14,015)**	3,632	(19,042)	(28,922)	(33,414)
	246,953	274,769	180,605	149,517	162,208