XINHUA media.

XINHUA NEWS MEDIA HOLDINGS LIMITED

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

ANNUAL REPORT 2014/2015

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ju Mengjun *(Co-chairman)*
Lo Kou Hong *(Co-chairman)*
Yu Guang
David Wei Ji
Chang Yong
Yan Liang

Independent Non-executive Directors

Wang Qi
Tsang Chi Hon
Ho Hin Yip

AUDIT COMMITTEE

Tsang Chi Hon *(Chairman)*
Wang Qi
Ho Hin Yip

REMUNERATION COMMITTEE

Tsang Chi Hon *(Chairman)*
Wang Qi
Ho Hin Yip

NOMINATION COMMITTEE

Ju Mengjun *(Chairman)*
Wang Qi
Tsang Chi Hon

STRATEGY AND DEVELOPMENT COMMITTEE

Yu Guang *(Chairman)*
Yan Liang
Tsang Chi Hon

EXECUTIVE COMMITTEE

Ju Mengjun *(Chairman)*
Yu Guang
David Wei Ji
Chang Yong
Tsang Chi Hon

CORPORATE GOVERNANCE COMMITTEE

David Wei Ji *(Chairman)*
Yu Guang
Chang Yong
Yan Liang
Tsang Chi Hon

COMPANY SECRETARY

Goh Choo Hwee

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

SOLICITORS

Ma Tang & Co. Solicitors

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

2nd Floor
5 Sharp Street West
Wan Chai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
22th Floor
Hopewell Centre
183 Queen's Road East
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-CHAIRMAN'S STATEMENT

Dear Shareholders,

Against the backdrop of a highly complicated operating environment, Xinhua News Media Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") had been making a proactive effort to deal with challenges and adopted prudent approaches to contain risks, thereby committing ourselves to the pursuit for the Group's sustainable development. The Group continued to promote the development of new media business in broadcasting information and advertisements through indoor/outdoor screen outlets. We firmly believe that the Group would be heading towards the right direction to facilitate the healthy development of our core business by optimisation of resources and network expansion of screen outlets.

Over the past year, the Company's high-quality media programmes broadcasted at the departure hall of Hung Hom Railway Station and on the KTT through trains of the MTR Corporation Limited, as well as the travelers lounge and other places at the Hong Kong International Airport, remained popular and well received among travelers and the public. Despite expansion in advertising resources, the growth in advertising customers fell short of expectations and the new media business was still in struggle to generate sufficient revenue.

For the coming year, as Co-chairman of the Group, I will work with the Company's management and staff to identify potential business in new media sector. By expediting the exploration of screen outlets and advertising resources in major first-tier cities in the Mainland China, Hong Kong and Macau as well as other Asia-Pacific regions, we will seek cooperation with major enterprises for advertising business. The Company will be steered into the right development direction and will establish our market position by expanding and strengthening the screen outlets advertising business.

Looking ahead, challenges and opportunities will co-exist but we see more opportunities than challenges. The management and I remain cautiously optimistic on the prospects of the Group. We have confidence in our management's competency of and determination in pursuit of innovation and expanding our horizons all along our path of development, as well as setting clear development goals in order to further enhance the potential value of the Group's business.

On behalf of the Board of Directors, I would like to take this opportunity to express gratitude to my fellow Directors and the management and employees of the Group for their diligence, and to sincerely thank our shareholders for their support and trust.

Ju Mengjun

Co-chairman

Hong Kong, 26 June 2015

Lo's Cleaning Services Limited, a wholly-owned subsidiary of Xinhua News Media Holdings Limited, was for the eleventh year recognised as a Caring Company and thereafter awarded "Caring Company 10 years +" by the Hong Kong Council of Social Service.

Dear Shareholders,

Hong Kong's flexible and adaptive workforce has been our cornerstone. Nonetheless, manpower shortage and recruitment difficulties are hampering the sustainable growth of various sectors. Manpower mismatch, an ageing population and low birth rate are becoming more and more apparent in Hong Kong. This is an imminent issue that needs to be addressed and dealt with swiftly. During the year under review, the above factors together with a prolonged political bickering were, among others, placing constraints on development. Nevertheless, the Group was able to maintain its growth in the cleaning and related services business.

The local property market has revived since the second quarter last year. Both prices and transactions of small and medium sized home flats have shown a double digit pick-up, notwithstanding the stringent administrative measures imposed by the government. While it may be said that it is attributable to the quantitative easing of external economies resulting in an influx of capital and the low interest rate environment, it can as well be interpreted that the phenomenon reflects the demand-and-supply situation in the market.

The awaited Shanghai- Hong Kong Stock Connect has been launched. This new cross-border investment channel helps strengthen both the Hong Kong and mainland capital markets. In the Mainland, the Central Bank has unveiled a series of relief measures in an attempt to improve market liquidity, ease concerns on GDP growth slowdown and pullback of property prices etc. The economic growth in the Mainland is comparatively stable despite global turbulence and financial market volatility.

With uncertainties in external markets but with economic activities expanding in a moderate pace in the US, the Federal Reserve is taking a wait-and-see attitude in the interest rate adjustments though not ruling out a rate hike.

Some momentous occurrences carrying significant implication to the cleaning and related services business are worth mentioning. Firstly, the new statutory minimum wage rate of $32.50 per hour introduced with effect from 1 May 2015 will without doubt push the wages in the labour market, which has already been in a tight spot, to higher levels in the coming 2 years. Secondly, as from 27 February 2015, male employees with child born on or after that date are entitled to 3 days paid paternity leave. The burden brought about remains to be seen.

Health and safety at work is the core value of our business and our foundation of success as I emphasized before. Our statistics in this respect in the past one year have again been above the industry norm and I constantly remind myself and my colleagues of our determination to uphold these records and to move forward in this direction.

I would like to thank our shareholders for their continued support to the Group. I have the privilege to work with my fellow directors and wish to express my gratitude to each of them. I also wish to thank our dedicated staff for their untired efforts and impeccable services rendered over the past year.

Lo Kou Hong

Co-Chairman

Hong Kong, 26 June 2015

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

The Group's turnover from continuing operations for the year ended 31 March 2015 amounted to approximately HK$286,809,000, (2014: HK$227,544,000) represented 26% increase as compared to the previous year. The loss of the Group from continuing operations was approximately HK$1,833,000 (2014: HK$52,518,000). Cleaning and related services business made a profit of approximately HK$12,033,000, the television screen broadcast business made a profit of approximately HK$7,139,000, the medical waste treatment business made a profit of approximately HK$2,349,000 and the waste treatment business made a loss of approximately HK$3,596,000.

FINANCIAL REVIEW

As at 31 March 2015, the Group's cash and cash equivalents and pledged time deposits totalled approximately HK$75,864,000 (2014: HK$67,507,000) and its current ratio (excluded the discontinued operation) was 3.95 (2014: 3.58). The Group's net assets were approximately HK$190,628,000 (2014: HK$173,123,000).

As at 31 March 2015, the Group did not have any bank borrowings but the Group had finance lease payables and loans from a director of approximately HK$1,568,000 and approximately HK$9,297,000 respectively (2014: HK$57,000 and HK$9,591,000) and therefore, its gearing ratio, representing ratio of finance lease payables and loans from a director to shareholders' equity was 5.7% (2014: 5.6%). The Group's shareholders' equity amounted to approximately HK$190,628,000 as at 31 March 2015 (2014: HK$173,123,000).

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 and waste treatment business and medical consultation 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, which is in RMB, can offset future liabilities and expenses.

As at 31 March 2015, the Group's banking facilities were secured by the pledge of certain of the Group's time deposits amounting to approximately HK$13,086,000 (2014: HK$10,506,000).

BUSINESS REVIEW

Television screen broadcast business

In the past year, the Group successfully entered into remedial agreement with Xinhua News Agency Asia-Pacific Regional Bureau Limited ("APRB") where APRB has undertaken to the Company that the audited operating revenue derived from the television screen broadcast business for the two financial years ending 31 March 2016 world be no less than HK$170,000,000 (the "Further Undertaking"). The Company, together with APRB, has since been keen and will continue to develop and grow the television screen broadcast business.

Specially produced news programs provided by Xinhua News Agency exclusively to the Group continue to broadcast on through-trains operated by the MTR Corporation Limited ("MTR") running from Guangzhou East to Hong Kong and at the MTR Hunghom Departure Hall in Hong Kong. The same programming broadcasted on selected television screens at departure gates in the Hong Kong International Airport ("HK Airport"), Cosco Tower Millenium Plaza in Sheung Wan and in Causeway Bay and Wan Chai also continue to run smoothly as well. As partnerships with MTR and HK Airport deepen with time, our Group will not only continue with the current investments on hand, but also look to explore additional investments in the future.

Cleaning and related services

Closely adhering to our philosophy of aiming at meeting our customers' expectation with high quality services in a comprehensive and professional manner, our Group had been able to press ahead with our development amidst fierce competition. During the reporting year, our Group was able to obtain and renew several major contracts, including, among others, those in connection with a grade-A office building in the heart of Central, once the highest building in Hong Kong and the fourth in the world; a 30-storey commercial building with decks of car parks in Connaught Road, Central facing the harbour, a residential estate, one of the biggest in Tseung Kwan O, and another residential estate of large scale in Tung Chung. The Group also provides warewash, sorting and general cleaning services for one of the biggest flight kitchens in the airport vicinity.

Significant progress in the external and curtain wall cleaning was also achieved during the reporting year. Other than providing high-level cleaning jobs to several developments on a periodic basis, we had been able to secure a contract providing external wall cleaning for a luxurious apartment building up on the peak. Providing high-level cleaning job on the peak has to overcome various hindrances, such as the occasional gusts of wind can pose potential hazards to cleaning staff working at height and can blow cleaning detergents to a distance. This necessitates the erection of additional shelters for protection. The job is scheduled to be carried out in the coming summer vacation.

Sales of stone maintenance products manufactured by our Italian partner, the bulk of which were specially formulated for the Asian markets, continued to accelerate.

Medical waste treatment business

As to the medical waste treatment business, the two medical waste treatment plants of the Group located in Siping City and Suihua City in PRC, have been operating smoothly throughout the reporting year.

Waste treatment business

The Group continues to look into various options in respect of its investment in the waste treatment business following the termination of the negotiation with an independent state-owned enterprise last year.

PROSPECTS

Television screen broadcast business

As the Company finalised and entered into the Further Undertaking with APRB in the reporting year, both parties are motivated to focus on the development of its media advertising. The Company has the exclusive broadcast right granted by APRB to broadcast certain media information for a period of 10 years commencing from 24 May 2011 (the "Free Right") and the remaining Free Right period is approximately 6 years. Currently, our Group have multitude of LED screen outlets in Hong Kong covering the most high profile densely populated areas such as HK Airport, MTR Hung Hom Station, Sheung Wan, Wan Chai and Causeway Bay. These current screens on hand serves as a great platform for the Group to launch and expand the television screen broadcast business.

In addition to Hong Kong, the Group is currently in negotiations to acquire other high profile LED screen outlets in mainland China. These potential investments are situated in first tier Chinese cities such as Beijing, Shanghai, Shenzhen and Guangzhou. The Group plans to focus its growth efforts in both Hong Kong and China for the near future. Expansion plans to penetrate into other international markets such as Macau, South Korea and Japan are still set for some time in 2016. In cooperation with APRB, the Group will look to fully unlock and to synergise the exclusive value of the Free Right in the immediate future.

Cleaning and related services

The shortage of labour is expected to continue notwithstanding the introduction of several remedies by the government, for example, the Employment Program for the Middle-Aged, the Work Incentive Transport Subsidy Scheme, both of which offer stimuli and allowances to encourage people to join the labour market. The root causes, however, have not been touched. The Group will continue to run dedicated staff retention programs to attract new comers and to retain good staff. We are confident to maintain a relatively low staff turnover rate, as achieved before, in the coming year.

The Statutory Minimum Wage (SMW) rate revision from $30.00 to $32.50 per hour, representing an increase of 8.33% will have far-reaching impact on labour costs. Fortunately, most of our contracts contain a mechanism of adjusting our contract prices according to the movements of the SMW rate or the CPI(B) indexes to offset the negative impact that SMW brought about.

Medical waste treatment business

The two medical waste treatment plants located in Siping City and Suihua City are well established and can therefore expect to continue their smooth operations. The Group can reasonably expect the medical waste treatment business will continue to bring in revenue for the Group in the future.

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$10,649,000 (2014: HK$4,914,000) 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$5,522,000 as at 31 March 2015 (2014: HK$4,227,000). 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$3,058,000 (2014: HK$2,290,000) in respect of such payments has been made in the condensed consolidated statement of financial position as at 31 March 2015.

(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 2015 and 2014.

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees of the Group as at 31 March 2015 was 1,623 (2014: 1,609). Total staff costs, including directors' emoluments and net pension contributions, for the period under review amounted to approximately HK$203,168,000 (2014: HK$184,059,000). 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.

BIOGRAPHICAL INFORMATION OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Ju Mengjun, aged 58

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 Xinhua News Media Holdings Limited (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 Xinhua News Agency Asia-Pacific Regional Bureau Limited ("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 72

Dr. Lo Kou Hong ("Dr. Lo") is the founder of the Company, 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. Lo is also a founder member and director of Environment Innovation Council Limited, a non-profit-making organisation incorporated in Hong Kong with limited liability by guarantee.

Mr. Yu Guang, aged 40

Mr. Yu Guang ("Mr. Yu") is an Executive Director, chairman of the strategy and development committee and a member of the executive committee and the corporate governance committee of the Company. Mr. Yu currently serves as Chief Executive Officer of the Company and he is also a director of Xinhua News Media Limited, a wholly-owned subsidiary of the Company. He joined the Company in August 2013. Mr. Yu graduated from the China University of Political Science and Law and obtained a Bachelor's Degree in Economic Law in 1998. He had also completed a Postgraduate Professional Study Course on Criminal Procedure Law at the National Prosecutors College of PRC in 2001. Mr. Yu is the founder and the chairman of 北京金世旗投資有限公司 (Beijing Jin Shi Qi Investment Company Limited) and the legal representative of 北京豐行聯合科技發展有限公司 (Beijing Feng Xing United Technology Development Company Limited). He has over 10 years of experience in investment management, business consultation and asset management.

Mr. David Wei Ji, aged 34

Mr. David Wei Ji ("Mr. Ji") is an Executive Director, chairman of the corporate governance committee and a member of the executive committee of the Company. Mr. Ji currently also serves as Chief Operating Officer of the Company and director of Ally Thrive Investments Limited and Xinhua News Media Limited, both wholly-owned subsidiaries of the Company. He joined the Company in August 2013. Mr. Ji obtained a Bachelor of Science in Business Administration from Boston University School of Management in 2003 and a Master of Business Administration from the University of Chicago Booth School of Business in 2013 with concentrations in Analytic Finance, Accounting and International Business. Since 2003, Mr. Ji has worked with Fortress Investment Group in the Private Equity Group, Morgan Stanley Real Estate Funds, and UBS Financial Services in the Private Wealth Management division. Mr. Ji is experienced in asset management, market research and fund raising in the financial industry.

Mr. Chang Yong, aged 60

Mr. Chang Yong ("Mr. Chang") is an Executive Director, a member of the executive committee and the corporate governance committee of the Company. He joined the Company in September 2013. Mr. Chang graduated from the Foreign Language Department of Guizhou University in 1980 and obtained a Master's degree in Laws from the Department of Journalism of Graduate School of the Chinese Academy of Social Sciences in 1989. He then joined the Xinhua News Agency and served in various positions over the years, including editor, deputy director and director under the Chief-editor's office, chief correspondent in the Lagos Branch of the Xinhua News Agency, correspondent, deputy director and director under the External Press Center of the Xinhua News Agency and deputy director of External Relations Department of the Xinhua News Agency. Mr. Chang is currently the deputy President of the Xinhua News Agency Asia-Pacific Regional Bureau. In addition, Mr. Chang is a director of APRB and Xinhua News Agency Hong Kong Special Administrative Region Branch Limited.

Mr. Yan Liang, aged 40

Mr. Yan Liang ("Mr. Yan") is an Executive Director, and a member of the strategy and development committee and the corporate governance committee of the Company. He joined the Company in September 2013. Mr. Yan graduated from the Department of Information Management and Decision Science of the University of Science and Technology of China in 1988. He joined the Xinhua News Agency since 1988 and has served various positions over the years, including editor and copywriter in editor's office for technology news under the International News Department, correspondent for Los Angeles branch, head of the Kabul branch and chief correspondent for the Kuala Lurpur branch. Mr. Yan is currently the director of the Tokyo branch of Xinhua News Agency.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Qi, aged 60

Mr. Wang Qi ("Mr. Wang") is an Independent Non-executive Director, a member of the audit committee, the remuneration committee and the nomination committee of the Company. He joined the Company 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.

Mr. Tsang Chi Hon, aged 41

Mr. Tsang Chi Hon ("Mr. Tsang") is an Independent Non-executive Director, chairman of the audit committee and the remuneration committee and a member of the executive committee, strategy and development committee, nomination committee and corporate governance committee of the Company. He joined the Company in November 2013. Mr. Tsang obtained a Bachelor of Accounting Degree from The University of Hong Kong. He is currently a member of the Hong Kong Institute of Certified Public Accountants. Mr. Tsang was the chief financial officer of the Zuoan Fashion Limited (listed on New York Stock Exchange) from October 2009 to February 2014. Prior to that, Mr. Tsang served as a finance manager at Luxworld Limited in 2009. He worked with Reyoung Pharmaceutical Holdings Limited as its chief financial officer from 2007 to 2008. He also served as a supervisor at Grant Thornton from 2004 to 2007, and an audit associate at Baker Tilly Hong Kong Limited from 1999 to 2004. Mr. Tsang has over 15 years of accounting and audit experience.

Mr. Ho Hin Yip, aged 41

Mr. Ho Hin Yip ("Mr. Ho") is an Independent Non-executive Director, a member of the audit committee and remuneration committee of the Company. He is presently the Financial Controller and Joint Company Secretary of Singapore-listed Dukang Distillers Holdings Limited, where he is responsible for the finance and accounting functions, statutory compliance and corporate governance affairs. He has more than 17 years of financial and auditing experience. He is a fellow member of The Association of Chartered Certified Accountants and a practicing member of the Hong Kong Institute of Certified Public Accountants. He is also an independent non-executive director of PME Group Limited (stock code: 379), a company whose shares are listed on the Main Board of the Stock Exchange.

The board of directors (the "Board") of Xinhua News Media Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") hereby presents this Corporate Governance Report in the Company's annual report for the year ended 31 March 2015.

The Board is committed to maintaining a high corporate governance standard and procedures to safeguard the interests of the Company's shareholders ("Shareholders") and to enhance accountability and transparency.

Corporate Governance Practices

The Board recognises the vital importance of a good corporate governance to the Group's management, 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.

Throughout the year, the Company has complied with 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 ("the Main Board Listing Rules"), with the exception of Code Provision A.2.7 and A.6.7 as addressed below:

Under Code Provision A.2.7, the chairman should at least annually hold meetings with the non-executive directors, including independent non-executive directors, without the executive directors present. Under the year under review, the Chairman did not hold meetings with the Independent Non-executive Directors without the Executive Directors present, which deviates from Code Provision A.2.7. However, in each Board meeting, the chairman of the meetings would ensure that all Directors were able to make a full and active contribution to the Board's affairs and encourage all Directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that the Board decisions fairly reflect Board consensus.

Under Code Provision A.6.7, independent non-executive Directors and other non-executive Directors should attend general meetings of the Company. Mr. Wang Qi, Independent Non-executive Directors, could not attend the annual general meeting of the Company held on 30 September 2014 and the extraordinary general meeting of the Company held on 27 March 2015 due to other business commitments. However, Mr. Ju Mengjun, the Co-Chairman and Executive Director, present in the general meetings was elected as chairman of the meetings to ensure an effective communication with the Shareholders at the meetings.

Further, under Code Provision A.4.3, serving more than nine years could be relevant to the determination of a non-executive director's independence. Mr. Wang Qi, Independent Non-executive Director, will have served more than nine years after 26 August 2015. His further appointment shall be subject to a separate resolution to be approved by Shareholders in the upcoming Annual General Meeting. The papers to Shareholders accompanying that resolution shall include the reasons why the Board believes he is still independent and should be re-elected.

Internal Controls

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining sound and effective internal control system for the Group. To this end, management continues to provide reasonable, though not absolute, assurance against material misstatement or loss and to manage rather than eliminate the risk of failure to achieve business objectives. During the year under review, the Board was satisfied to 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.

The dynamics of the Group and the environment within which it operates are continually evolving together with its exposure to risk. The Group continues to review the adequacy of its risk management and control framework and look for opportunities to make improvements and add appropriate resources when necessary. During the year under review, in order to further enhance the internal control system of the Company, a meeting of the corporate governance committee was convened to review and discuss on the internal control as well as the risk management system of the Company. During the meeting, the committee agreed that it will be in the interest of the Company, to establish an internal audit function and a risk management committee; to include risk management and internal control into meeting agenda periodically for the purpose of monitoring and reviewing on the internal control system and risk management on an ongoing basis; and to do further actions in compliance with the amendments to the Main Board Listing Rules relating to the risk management and internal control section of the CG Code and Corporate Governance Report.

Documents and records are properly maintained and the investment or divestment decisions are made in compliance with relevant laws and regulations. The Company's internal control process had also been properly carried out when making investment or divestment decisions after taking into consideration any external professional advice.

Model Code for Securities Transactions by Directors

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 Main Board Listing Rules. Specific enquiry has been made to all director of the Company (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 2015.

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 Diversity

The Board has adopted a board diversity policy on 30 April 2014. In designing the Board's composition, the diversity of members of the Board has been considered from a number of aspects, including but not limited to gender, age, educational background, professional experience and qualifications, relevant industry experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered and selected based on a range of diversity perspectives including but not limited to the said aspects.

BOARD OF DIRECTORS

Composition

As at the date of this annual report the Board comprises six Executive Directors and three Independent Non-executive Directors. The list of Directors during the year is set out in the section headed "Report of the Directors" of this annual report.

The Board includes a balanced composition of Executive and Independent Non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

The Independent Non-executive Directors are of sufficient calibre and number for their views to carry weight. The functions of Independent Non-executive Directors include, but not limited to:

- bringing an independent judgement at Board meetings;
- taking the lead where potential conflicts of interests arise;
- serving on Board committees if invited; and
- scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting.

The Board has a balance of skills and experience appropriate for the requirements of the business of the Company. The Directors' biographical information is set out in the section headed "Biographical Information of Directors" of this annual report.

Composition of the Board, including names of Independent Non-executive Directors of the Company, is disclosed in all corporate communications to Shareholders.

The Company has maintained on its website and on the Stock Exchange's website an updated list of its Directors identifying their role and function and whether they are Independent Non-executive Directors.

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.

Responsibilities and Function

The Board is responsible for the overall management and performance monitoring of the Group. 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 senior management of the Company within the control and authority framework set by the Board. The delegated functions and work tasks are periodically reviewed by the Board. 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. In addition, the Board has also delegated various responsibilities to the audit committee, the remuneration committee, the nomination committee, the strategy and development committee and the corporate governance committee. Further details of these committees are set out in this annual report.

All Directors have full and timely access to all relevant and available 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.

Change in Directors' information

Pursuant to the relevant requirements under the Main Board Listing Rules, changes in the composition of the Board and Board committees during the year ended 31 March 2015 and up to the date of this annual report were as follows:

- Mr. Tang Binfeng retired as an Independent Non-executive Director at the conclusion of the Annual General Meeting held on 30 September 2014 and ceased to be a member of the strategy and development committee of the Company.
- Mr. Xu Rong resigned as an Independent Non-executive Director and a member of the audit committee, executive committee and remuneration committee of the Company with effect from 3 September 2014.
- Mr. Ho Hin Yip was appointed as an Independent Non-executive Director and a member of the audit committee and the remuneration committee of the Company with effect from 29 December 2014.

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 of the respective television screen broadcast business and cleaning services business which they are responsible for. Mr. Yu Guang was appointed to act as the chief executive officer ("CEO") of the Company for better coordination of different business segments at overall command.

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

Appointment of new Directors is a matter for consideration by the nomination committee. The nomination committee will review the profiles for the candidates and make recommendations to the Board on the appointment, re-nomination and retirement of Directors. On 30 April 2014, the terms of reference of the nomination committee were revised to take into account the Board diversity policy.

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

Each newly appointed director is provided with necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities and obligations of a director of a listed company under the relevant statutes, laws, rules and regulations.

The Directors are encouraged to keep themselves updated on the latest development of the Main Board Listing Rules and other applicable statutory requirements to ensure compliance and upkeep of good corporate governance practice. The Directors understand the need to continue developing and refreshing their knowledge and skills for contribution to the Company.

Under Code Provision A.6.5 of the CG Code, Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. During the year ended 31 March 2015, Directors' training programme materials relating to directors' roles, duties and functions and disclosure of inside information and reading materials relating to legislative or regulatory updates, changes and developments such as the proposed amendments to the Main Board Listing Rules relating to the risk management and internal control section of the CG Code have been provided to all Directors in order to enhance awareness of good corporate governance and improvement of skills and knowledge through personal studies.

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, 9 board meetings were held to, among other things, review and approve the publications of various announcements, consider and approve the placing agreement and other agreements and appointment of new Directors. 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.

Generally, 14 days' notice of a regular Board meeting should be given and the Company aims at giving reasonable notice for all other Board meetings. The Company Secretary is responsible to keep minutes of all Board meetings and committee meetings and assists the chairman in drawing up the agenda of each meeting and each Director may request inclusion of matters in the agenda. Minutes are recorded in sufficient detail regarding the matters considered by the Board and the Board committees meetings are kept by the Company Secretary and are open for Directors' inspection.

All Directors have access to the Company Secretary who is responsible for ensuring the Board procedures are complied with and all applicable rules and regulations are followed.

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, shall be considered and dealt with by the Board at a duly convened Board meeting.

Access to Information

The Directors may seek independent professional advice in appropriate circumstances, at the Company's expenses. The Company will, upon request, provide professional advice to Directors to assist the relevant Directors to discharge their duties to the Company.

The Board is supplied with relevant information by the management pertaining to matters to be brought before the Board for decision as well as reports relating to operational and financial performance of the Group before each Board meeting. Where any Director requires more information than is volunteered by the management, each Director (if applicable) has the right to separately and independently access to the Company's management to make further enquiries if necessary.

Independent Non-executive Directors

Pursuant to Rule 3.10 and 3.10A of the Main Board Listing Rules during the year, the Company has three Independent Non-executive Directors representing at least one-third of the Board and at least one of the Independent Non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise.

The Company has received from each of its Independent Non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Main Board Listing Rules and the Company considers that all of the Independent Non-executive Directors are independent.

Attendance Records

The attendance record at the Board and its committee meetings in year ended 31 March 2015 demonstrates Directors' strong commitment to the Company. During the financial year ended 31 March 2015, the Directors have made active contribution to the affairs of the Group and a total of 9 Board meetings were held to, among other things, review and approve the publications of various announcements, review the interim results for the six months period ended 30 September 2014 and the final results for the year ended 31 March 2014, consider and approve agreements and appointment of new Directors and other matters relating to placing, finance, governance, and compliance. Directors have devoted sufficient time and attention to performing their duties and responsibilities towards the Group.

All Directors have access to the advice and services of the Company Secretary. The Company Secretary is responsible for ensuring that Board procedures are followed and for facilitating information flows and communications among Directors as well as with Shareholders and management. The Company Secretary's biography is set out in the section headed "Company Secretary" of the Corporate Governance Report of this annual report.

The number of Board and general meetings held and attendance by Directors at each Board meeting and general meeting during the year ended 31 March 2015 are set out below:

	Board Meetings attended	General Meetings attended (Note 4)
Executive Directors		
Mr. Ju Mengjun *(Co-chairman)*	5/9	2/2
Dr. Lo Kou Hong *(Co-chairman)*	8/9	2/2
Mr. Yu Guang	8/9	2/2
Mr. David Wei Ji	9/9	2/2
Mr. Chang Yong	6/9	2/2
Mr. Yan Liang	6/9	0/2
Independent Non-executive Directors		
Mr. Xu Rong (Note 1)	4/5	0/0
Mr. Tang Binfeng (Note 2)	5/7	0/1
Mr. Wang Qi	8/9	0/2
Mr. Tsang Chi Hon	9/9	2/2
Mr. Ho Hin Yip (Note 3)	0/0	1/1

Notes:

(1) Mr. Xu Rong resigned on 3 September 2014 and hence he has not attended any Board or general meetings held on or after 3 September 2014.

(2) Mr. Tang Binfeng retired on 30 September 2014 and hence he has not attended any Board or general meetings held on or after 30 September 2014.

(3) Mr. Ho Hin Yip was newly appointed on 29 December 2014 and hence he has not attended any Board meetings held on or before 29 December 2014.

(4) Two general meetings were held during the year ended 31 March 2015, namely, the annual general meeting held on 30 September 2014 and the extraordinary general meeting held on 27 March 2015 whereat resolutions relating to the Settlement, the Remedial Agreement dated 15 July 2014 and the Supplemental Agreement dated 31 December 2014 entered into by the Company and Asia-Pacific Regional Bureau and the transaction contemplated therein were considered and passed by the Shareholders.

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 and assisting in the execution of the Board's responsibilities. All Board committees except the executive committee have defined written terms of reference and report to the Board at the next Board meeting on their resolutions passed 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 to (i) make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; (ii) review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; (iii) determine, with delegated responsibility from the Board, the remuneration packages of individual Executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of Independent Non-executive Directors. The committee shall consider salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the group; (iv) review and approve compensation payable to Executive Directors for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive for the Company; (v) review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and (vi) ensure that no Director or any of his associates is involved in deciding his own remuneration.

The remuneration committee comprises three Independent Non-executive Directors, namely, Mr. Wang Qi, Mr. Tsang Chi Hon and Mr. Ho Hin Yip. The chairman of the Remuneration Committee is Mr. Tsang Chi Hon.

During the year ended 31 March 2015, the remuneration committee met once to consider and decide on the remuneration of newly appointed Director during the year of review.

The members of the remuneration committee during the year and their attendance were as follows:

	Meetings attended
Independent Non-executive Directors	
Mr. Tsang Chi Hon *(Chairman of the remuneration committee)*	1/1
Mr. Wang Qi	1/1
Mr. Ho Hin Yip	0/0

Note:

Mr. Ho Hin Yip was newly appointed on 29 December 2014 and hence he has not attended any remuneration committee meeting held on or before 29 December 2014.

2. Audit Committee

The duties of the audit committee are 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 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, Mr. Wang Qi, Mr. Tsang Chi Hon and Mr. Ho Hin Yip. The chairman of the audit committee is Mr. Tsang Chi Hon 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 2015, two audit committee meetings were held to review the financial statements and results announcement and reports for the year ended 31 March 2014 and interim results for the six months ended 30 September 2014.

The members of the audit committee during the year and their attendance were as follows:

	Meetings attended
Independent Non-executive Directors	
Mr. Tsang Chi Hon *(Chairman of the audit committee)*	2/2
Mr. Wang Qi	2/2
Mr. Ho Hin Yip	0/0

Note:

Mr. Ho Hin Yip was newly appointed on 29 December 2014 and hence he has not attended any audit committee meetings held on or before 29 December 2014.

3. Nomination Committee

The main duties of the nomination committee are to (i) review the structure, size and composition of the Board; (ii) make recommendations on the appointment and re-appointment of Directors and succession planning; and (iii) to review the diversity of Board member policy and the progress of achieving the objectives of the Board diversity policy. On 30 April 2014, 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.

Board Diversity

The Board has adopted a Board diversity policy on 30 April 2014 in compliance with a code provision on Board diversity in the CG Code. In designing the Board's composition, the diversity of members of the Board has been considered from a number of aspects, including but not limited to gender, age, educational background, professional experience and qualifications, relevant industry experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered and selected based on a range of diversity perspectives including but not limited to the said aspects.

The nomination committee consists of three members, namely, Mr. Ju Mengjun, the Co-chairman of the Board, Mr. Wang Qi and Mr. Tsang Chi Hon, who are Independent Non-executive Directors.

The chairman of the nomination committee is Mr. Ju Mengjun, the Co-chairman of the Board.

During the year ended 31 March 2015, two nomination committee meetings were held.

The members of the nomination committee during the year and their attendance were as follows:

	Meetings attended
Executive Director	
Mr. Ju Mengjun *(Chairman of the nomination committee)*	2/2
Independent Non-executive Directors	
Mr. Wang Qi	2/2
Mr. Tsang Chi Hon	2/2

4. Corporate Governance Committee

The main duties of the corporate governance committee are to (i) develop, review and update the Company's policies and practices on corporate governance and make recommendation; (ii) review and monitor the training and continuous professional development of Directors and senior management; (iii) review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (iv) develop, review and monitor the code of conduct applicable to employees and Directors; and (v) review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The corporate governance committee comprises five members, namely, Mr. Yu Guang, Mr. David Wei Ji, Mr. Chang Yong, Mr. Yan Liang and Mr. Tsang Chi Hon. The chairman of the corporate governance committee is Mr. David Wei Ji.

During the year ended 31 March 2015, the corporate governance committee held two meetings to review and monitor the Company's corporate governance policies and practices and discuss on the amendments to the Main Board Listing Rules relating to the risk management and internal control section of the CG Code and Corporate Governance Report. In this respect, in order to further enhance the internal control system of the Company, the committee agreed that it will be in the interest of the Company, in the following financial year, to establish an internal audit function and a risk management committee; to include risk management and internal control into meeting agenda periodically for the purpose of monitoring and reviewing on the internal control system and risk management on ongoing basis; and to do further actions in compliance with any further amendments to the Main Board Listing Rules relating to the risk management and internal control section. Further, under Code Provision A.6.5, Directors should participate appropriate continuous professional development to develop and refresh their knowledge and skills. Directors' training programme materials relating to directors' roles, duties and functions and disclosure of inside information have been provided to all Directors. The committee is in the view that it will enhance good corporate governance and improve skills and knowledge of Directors through personal studies.

The members of the corporate governance committee during the year and their attendance were as follows:

	Meetings attended
Executive Directors	
Mr. David Wei Ji *(Chairman of the corporate governance committee)*	2/2
Mr. Yu Guang	1/2
Mr. Chang Yong	2/2
Mr. Yan Liang	2/2
Independent Non-executive Director	
Mr. Tsang Chi Hon	2/2

5. Executive Committee

The executive committee is composed of no less than half of the number of Directors of which one-third is 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 committee comprises six members, namely, Mr. Ju Mengjun, the Co-chairman of the Board, Mr. Yu Guang, Mr. David Wei Ji, Mr. Chang Yong and Mr. Tsang Chi Hon. The chairman of the executive committee is Mr. Ju Mengjun, the Co-chairman of the Board.

During the year ended 31 March 2015, the executive committee did not hold any meetings.

6. Strategy and Development Committee

The main duties of the strategy and development committee are to (i) review the documents from the senior management of the Company on issues relating to its strategies and developments (such as vision of the Company, mission of the Company, and annual strategy documents) on a regular basis and make recommendations to the Board regarding any propose changes; (ii) identify marketing changes and competition or make recommendations to the Board on issues relating to the Company's strategies and developments, such as Company's market positions, pricing strategic, new markets and strategic partnerships; (iii) make recommendations to the Board on matters relating to the Company's strategies; and (iv) all such other responsibilities and powers as may be delegated by the Board from time to time.

The strategy and development committee comprises three members, namely, Mr. Yu Guang, Mr. Yan Liang and Mr. Tsang Chi Hon. The chairman of the strategy and development committee is Mr. Yu Guang.

During the year ended 31 March 2015, the strategy and development committee held one meeting and attendance was as follows:

	Meetings attended
Executive Directors	
Mr. Yu Guang *(Chairman of the Strategy and Development Committee)*	1/1
Mr. Yan Liang	1/1
Independent Non-executive Director	
Mr. Tsang Chi Hon	1/1

RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 March 2015 which were prepared in accordance with statutory requirements and applicable accounting standards and were prepared to reflect the true and fair view of the state of affairs, results and cash flows of the Group and in compliance with relevant law and disclosure provisions of the Main Board Listing Rules. In preparing the financial statements for the year ended 31 March 2015, the Directors made judgments and estimated that are prudent and reasonable, and have prepared the financial statements on a going concern basis. The Directors also ensure that the financial statements of the Group are published in a timely manner. The reporting responsibilities of the auditors on the financial statements are set out in the section "Independent Auditors' Report" of this annual 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.

AUDITORS' REMUNERATION

During the year, the remuneration paid and payable to the Company's auditor are approximately HK$980,000 for the audit services.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and enabling investors to understand 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 such as annual reports, interim reports to Shareholders, announcements and corporate governance practices are available for review. 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.

Where announcements are made through The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the same information will be made available on the Company's website.

The Company continues to enhance communication and relationship with Shareholders and 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.

GENERAL MEETINGS WITH SHAREHOLDERS

The annual general meeting of the Company (the "AGM") provides a useful forum for Shareholders to exchange views with the Board. The Company's Directors (including Independent Non-executive Directors) are available at the AGM to answer questions from Shareholders about the business and performance of the Company. In addition, the Company's external auditor is also invited to attend the AGM to answer questions about the conduct of the audit, and the preparation and contents of the auditor's report. Separate resolutions are proposed at general meetings for each substantial issue. An explanation of the detailed procedures of conducting poll was provided to Shareholders at the AGM, to ensure that Shareholders are familiar with such procedures.

The Company's last AGM was held on Tuesday, 30 September 2014 at 23/F, 381 Queen's East, Wan Chai, Hong Kong. All the resolutions proposed at that meeting were approved by Shareholders by poll voting. The poll results were posted on the websites of the Stock Exchange and the Company respectively on the same day as the poll.

The next AGM will be held at 12:00 p.m. on 25 September 2015 at 23/F, 381 Queen's Road East, Wan Chai, Hong Kong, the notice of which will be sent to Shareholders at least 20 clear business days before the said meeting.

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 Main Board 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 changes in the Company's constitutional documents during the year.

COMPANY SECRETARY

Mr. Goh Choo Hwee ("Mr. Goh"), was appointed as the Company Secretary and the authorised representative of the Company on 11 December 2013. Mr. Goh is a partner of Ma Tang & Co., Solicitors, a corporate and commercial law firm in Hong Kong. He is a practicing solicitor in Hong Kong and a member of the Law Society of Hong Kong. Mr. David Wei Ji, the Executive Director and the chief operating officer of the Company, is primary contact in the Company for Mr. Goh in relation to corporate secretarial matters.

INVESTOR RELATIONS

Information of the Group is delivered to the Shareholders and investors through a number of channels, which includes annual report, interim report and announcements. The latest information of the Group together with the published documents is also available on the Company's website at www.XHNmedia.com.

In addition, questions received from the general public and individual Shareholders are answered promptly.

The Board is pleased to present this Report of the Directors and the audited financial statements of the Group for the year ended 31 March 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is organised into business units based on their products and services and has four 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 television screen broadcast business segment engages in the provision of publicly broadcasting information and advertisements on television screens services;

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

(d) The waste treatment business segment engages in the provision of organic waste treatment and sale of the by – products produced.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 March 2015 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 38 to 111.

The directors of the Company (the "Directors") did 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 112. 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 of the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in Notes 29 and 30 of 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 ended 31 March 2015.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 31 of the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2015, the Company had no reserves available for distribution. The Company's share premium account, in the amount of HK$469,527,000, 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 63% of the total sales for the year, and sales to the largest customer included therein amounted to approximately 22%.

Purchases from the Group's five largest suppliers accounted for approximately 64% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 25%.

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. Yu Guang

Mr. David Wei Ji

Mr. Chang Yong

Mr. Yan Liang

Independent Non-executive Directors

Mr. Xu Rong (resigned on 3 September 2014)

Mr. Tang Binfeng (retired at the conclusion of the Annual General Meeting held on 30 September 2014)

Mr. Wang Qi

Mr. Tsang Chi Hon

Mr. Ho Hin Yip (appointed on 29 December 2014)

Biographical details of the above Directors are set out in the section headed "Biographical Information of Directors" on pages 10 to 12 of this report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received a confirmation of independence from each Independent Non-executive Director, namely Mr. Wang Qi, Mr. Tsang Chi Hon and Mr. Ho Hin Yip, and considers them as being independent.

RE-ELECTION OF THE RETIRING DIRECTORS

Retirement by rotation

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 exceeding, one-third, shall retire from office by rotation. The Directors to retire in every year shall be those who have been longest in office since their last election and Directors should subject to re-election at the first general meeting after appointment. Accordingly, Mr. Ho Hin Yip, Mr. Yan Liang and Mr. Chang Yong shall retire by rotation at the Annual General Meeting. All the retiring Directors, being eligible, shall retain office until the close of the meeting at which he retires, and shall be eligible for re-election.

Retirement of Independent Non-executive Director who has served for more than nine years

Mr. Wang Qi, who has served the Company for more than nine years as an Independent Non-executive Director, will also retire voluntarily at the Annual General Meeting and, being eligible, offer himself for re-election for the purpose of complying with Code Provision A.4.3 of the Corporate Governance Code in Appendix 14 of the Main Board Listing Rules.

Under Code Provision A.4.3, serving more than nine years could be relevant to the determination of a non-executive director's independence. Mr. Wang Qi, Independent Non-executive Director, will have served more than nine years after 26 August 2015. His further appointment shall be subject to a separate resolution to be approved by Shareholders in the upcoming Annual General Meeting and the papers to shareholders accompanying that resolution shall include the reasons why the Board believes he is still independent and should be re-elected.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out in the section headed "Biographical Information of Directors" on pages 10 to 12.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors except Mr. Yu Guang, Mr. David Wei Ji, Mr. Chang Yong, Mr. Yan Liang, Mr. Tsang Chi Hon and Mr. Ho Hin Yip, has a letter of appointment or a 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.

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. Details of the remuneration of the Directors are set out in Note 9 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance, to which the Company, its holding companies, fellow subsidiaries or subsidiaries was a party and in which a director of the Company had a material interest subsisted during the year ended 31 March 2015.

CONTRACT OF SIGNIFICANCE

There is no contract of significance between the Company and any of its subsidiaries, and a controlling shareholder or any of its subsidiaries.

MANAGEMENT CONTRACT

Other than the service contracts of the Directors as stated above in the section headed "Directors' Service Contracts", the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company.

INTERESTS IN COMPETITORS

As far as the Directors are aware, none of the Directors or their associates had any interest in a business that competes or may compete with the business of the Group.

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

As at 31 March 2015, 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (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
Mr. Yu Guang	Long	Interest held by controlled corporation	133,387,000 (Note (1))	9.75%
Dr. Lo Kou Hong	Long	Founder of a discretionary trust	40,000,000 (Note (2))	2.93%
	Long	Interest of spouse	1,700,000 (Note (3))	0.12%
	Long	Beneficial owner	6,000,000	0.44%
	Long	Interest of spouse	6,000,000 (Note (4))	0.44%

Notes:

(1) These shares were beneficially owned by Pan Asia Century Consulting Limited ("PAC Consulting") the entire issued share capital of which was wholly owned by Huian International Investment Limited ("Huian"). The entire issued share capital of Huian was beneficially owned by Mr. Yu Guang. Accordingly, Mr. Yu Guang was deemed to be interested in such shares through these controlled corporations pursuant to Part XV of the SFO. Although Ms. Zhang Li does not personally and beneficially own any interest in the Company, she was deemed to be interested by virtue of her being the wife of Mr. Yu Guang.

(2) 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.

(3) 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, who personally and beneficially owns such 1,700,000 shares of the Company.

(4) Dr. Lo Kou Hong was deemed to be interested in the 6,000,000 shares options of the Company through his spouse, Ms. Ko Lok Ping, Maria Genoveffa, who personally and beneficially owns such relevant share options. Such relevant share options lapsed upon the expiration of the exercise period on 21 April 2015.

* 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 2015.

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	0.44%
	Long	Interest of spouse	6,000,000 (Note)	0.44%

Details of the above share options as required to be disclosed by The Rules Governing the Listing of Securities on the Stock Exchange (the "Main Board Listing Rule") 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, who personally and beneficially owns such relevant share options. Such relevant share options lapsed upon the expiration of the exercise period on 21 April 2015.

* The percentage represents the number of underlying shares of the Company divided by the number of the Company's issued shares as at 31 March 2015.

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 a controlled corporation	42 shares (Note)	30%

Note: The 42 shares in Peixin were beneficially held through a controlled corporation of Dr. Lo Kou Hong and Ms. Ko Lok Ping, Maria Genoveffa in equal shares. 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 remaining 70% of Peixin's issued share capital were owned by the Company.

* The percentage represents the number of underlying shares divided by the number of Peixin's issued shares as at 31 March 2015.

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

Name of Director	Long/short position	Capacity	Total amount of registered capital in Shuyang ITAD	Percentage of Shuyang ITAD's registered capital
Dr. Lo Kou Hong	Long	Interest held by a controlled corporation	RMB123,640,000	30% (Note)

Note: The entire registered capital in Shuyang ITAD was beneficially owned by Peixin and 42 shares in Peixin were beneficially owned by a controlled corporation of Dr. Lo Kou Hong and Ms. Ko Lok Ping, Maria Genoveffa in equal shares. Such 42 shares in Peixin represent 30% of the entire issued share capital of Peixin. 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.

In addition to the above, as at 31 March 2015, 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 2015, 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 2015.

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 operated a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contributed to the success of the Group's operations. Further details of the Scheme are disclosed in Note 30 to the financial statements.

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

	Number of share options					
Name or category of participant	At 1 April 2014	Granted/ exercised/ lapsed/cancelled between 1 April 2014 to 21 April 2015	Lapsed on 21 April 2015	Date of grant of share options (Note 1)	Exercise period of share options	Exercise price of share options (Note 2) HK$ per share
Director						
Dr. Lo Kou Hong	6,000,000	–	6,000,000	12-5-05	22-4-05 to 21-4-15	0.275
Other employees						
In aggregate (Note 3)	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.

(3) Ms. Ko Lok Ping, Maria Genoveffa resigned as an executive director of the Company on 27 September 2011. However, the 6,000,000 shares options granted by the Company to Ms. Ko Lok Ping, Maria Genoveffa for subscribing 6,000,000 shares of the Company remained exercisable. Such relevant share options lapsed on 21 April 2015.

Mr. Leung Tai Tsan, Charles and Mr. Cheung Pui Keung, James resigned as executive directors of the Company on 27 October 2011. However, the 3,000,000 share options granted by the Company to Mr. Leung Tai Tsan, Charles and the 4,000,000 share options granted by the Company to Mr. Cheung Pui Keung, James for subscribing 3,000,000 shares and 4,000,000 shares of the Company respectively remained exercisable. Such relevant share options lapsed on 21 April 2015.

The Scheme expired on 23 April 2013. No further shares options could be granted under the Scheme. No share options have been granted, exercised and/or cancelled during the year ended 31 March 2015. The share options under the Scheme lapsed upon the expiration of the exercise period of share options i.e. 21 April 2015.

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

As at 31 March 2015, 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:

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
Xinhua News Agency Asia-Pacific Regional Bureau Limited ("APRB")	Long	Beneficial owner	214,681,040	15.70%
Xinhua News Agency Asia-Pacific Regional Bureau	Long	Interest held by controlled corporation	214,681,040 (Note (1))	15.70%
PAC Consulting	Long	Beneficial owner	133,387,000	9.75%
Huian	Long	Interest held by controlled corporation	133,387,000 (Note (2))	9.75%

Notes:

(1) These shares were beneficially owned by APRB, the entire issued share capital of which was beneficially 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) These shares were beneficially owned by PAC Consulting which was wholly owned by Huian. Accordingly, Huian was deemed to be interested in such shares pursuant to Part XV of the SFO. The entire issued share capital of Huian was beneficially owned by Mr. Yu Guang. Accordingly, Mr. Yu Guang was deemed to be interested in such shares pursuant to Part XV of the SFO, which is also disclosed as the interest of Mr. Yu Guang 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 2015.

CONNECTED TRANSACTIONS

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 the year ended 31 December 2012 would be no less than HK$30,000,000 and HK$100,000,000, respectively (the "Revenue Undertaking"). Since the Revenue Undertaking was not fulfilled, the Company had entered into negotiations on remedial actions with APRB. On 15 July 2014, the Company entered into the remedial agreement, which constitutes a non-exempted connected transaction and a very substantial acquisition, whereby as full and final compensation for the non-fulfillment of the Revenue Undertaking, APRB has undertaken to the Company that the audited operating revenue derived from the television screen broadcast business for the two financial years ending 31 March 2016 would be no less than HK$170,000,000. Details of which were disclosed in the circular of the Company dated 24 February 2015. The settlement, the remedial agreement dated 15 July 2014 and the supplemental agreement dated 31 December 2014 and the transactions contemplated therein were approved, confirmed and ratified at the extraordinary general meeting held on 27 March 2015.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the best knowledge of the Directors, at least 25% of the Company's issued share capital were held by members of the public as at the latest practicable date prior to the issue of this report, hence the Company has maintained a sufficient public float as required under the Main Board Listing Rules.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the Listing Rules. The audit committee of the Company is comprised of three Independent Non-executive Directors of the Company, namely, Mr. Tsang Chi Hon (the chairman of the audit committee), Mr. Wang Qi and Mr. Ho Hin Yip.

The audit committee has reviewed together with the management of the Company the accounting principles, accounting standards and methods adopted by the Company, discussed the matters concerning internal control, auditing and financial reporting matters and has reviewed the consolidated financial statements of the Group for the year ended 31 March 2014 during the year ended 31 March 2015.

CORPORATE GOVERNANCE

Details of the corporate governance practices of the Company are set out in the section headed "Corporate Governance Report" on pages 13 to 24.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2015 annual general meeting, the Register of Members of the Company will be closed from 24 September 2015 to 25 September 2015, 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 22th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 23 September 2015.

AUDITORS

The consolidated financial statements for the year ended 31 March 2015 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting. A resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Ju Mengjun	**Lo Kou Hong**
Co-chairman	*Co-chairman*
Hong Kong	Hong Kong
26 June 2015	26 June 2015

INDEPENDENT AUDITORS' REPORT

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

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

TO THE SHAREHOLDERS OF XINHUA NEWS MEDIA HOLDINGS LIMITED

(Incorporated in 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 38 to 111, which comprise the consolidated and the company statements of financial position as at 31 March 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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 the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

BASIS FOR QUALIFIED OPINION

The auditors' report on the consolidated financial statements of the Group for the year ended 31 March 2014 contained a qualified opinion in relation to limitation to access the books and records of the discontinued operation. Details of which had been set out in Note 3 to the financial statements and the auditors' report dated 30 June 2014.

As the consolidated financial statements of the Group for the year ended 31 March 2014 formed the basis for the corresponding figures presented in the current year's consolidated financial statements, any adjustments found to be necessary would have a significant effect on the comparative financial information and the related disclosures thereof for the year ended 31 March 2015.

QUALIFIED OPINION

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the consolidated financial statements give a true and fair view of the state of the affairs of the Company and the Group as at 31 March 2015, 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 requirement of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Shek Lui
Practising Certificate Number: P05895

Hong Kong, 26 June 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2015

	Notes	2015 HK$'000	2014 HK$'000
CONTINUING OPERATIONS			
Revenue	6	**286,809**	227,544
Other income and gains	6	**1,577**	3,224
Staff costs	7	**(203,168)**	(184,059)
Depreciation and amortisation		**(11,319)**	(20,008)
Fair value change on financial asset	21	**–**	4,932
Impairment of intangible assets	17	**–**	(32,438)
Other operating expenses		**(75,332)**	(51,747)
Finance costs	8	**(42)**	(8)
Share of profit of an associate		**89**	80
Loss before tax from continuing operations	7	**(1,386)**	(52,480)
Income tax expenses	11	**(447)**	(38)
Loss for the year from continuing operations		**(1,833)**	(52,518)
DISCONTINUED OPERATION			
Loss for the year from discontinued operation	13	**–**	(20,324)
Loss for the year		**(1,833)**	(72,842)
Other comprehensive income, net of tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations:			
Exchange differences arising during the year		**55**	1,719
Reclassification adjustments relating to foreign operations disposed of during the year		**–**	(565)
		55	1,154
Total comprehensive loss for the year		**(1,778)**	(71,688)
Loss attributable to:			
Owners of the Company		**(1,622)**	(70,588)
Non-controlling interests		**(211)**	(2,254)
		(1,833)	(72,842)
Total comprehensive loss attributable to:			
Owners of the Company		**(1,591)**	(69,878)
Non-controlling interests		**(187)**	(1,810)
		(1,778)	(71,688)
Loss per share attributable to owners of the Company			
Basic and diluted	14		
– From continuing and discontinued operations		**HK$(0.0012)**	HK$(0.0542)
– From continuing operations		**HK$(0.0012)**	HK$(0.0402)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2015

	Notes	2015 HK$'000	2014 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**21,765**	23,784
Intangible assets	17	**55,831**	63,813
Investment in an associate	20	**704**	615
Total non-current assets		**78,300**	88,212
Current assets			
Inventories	19	**225**	142
Amount due from an associate	20	**240**	240
Trade receivables	22	**60,588**	33,488
Prepayments, deposits and other receivables	22	**31,799**	38,607
Pledged time deposits	23	**13,086**	10,506
Cash and cash equivalents	23	**62,778**	57,001
Total current assets		**168,716**	139,984
LIABILITIES			
Current liabilities			
Trade payables	24	**5,190**	4,162
Other payables and accrued liabilities	25	**31,259**	32,582
Loans from a director	35(b)	**5,564**	2,015
Finance lease payables	26	**359**	57
Tax payable		**394**	320
Total current liabilities		**42,766**	39,136
Net current assets		**125,950**	100,848
Total assets less current liabilities		**204,250**	189,060

	Notes	2015 HK$'000	2014 HK$'000
Non-current liabilities			
Loans from a director	35(b)	**3,733**	7,576
Finance lease payables	26	**1,209**	–
Provision for long service payments	27	**3,058**	2,290
Deferred income	28	**5,622**	6,071
Total non-current liabilities		**13,622**	15,937
Net assets		**190,628**	173,123
CAPITAL AND RESERVES			
Share capital	29	**13,675**	13,023
Reserves	31(a)	**180,527**	163,487
Equity attributable to owners of the Company		**194,202**	176,510
Non-controlling interests		**(3,574)**	(3,387)
Total equity		**190,628**	173,123

Approved by the Board on 26 June 2015 and signed on its behalf by:

Ju Mengjun
Co-chairman

Lo Kou Hong
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 2015

	Attributable to owners of the Company										
	Share capital HK$'000 (Note 29)	Share premium HK$'000 (Note 29) (note i)	Capital redemption reserve HK$'000 (note i)	Merger reserve HK$'000 (Note 31(a)) (note i)	Share option reserve HK$'000 (Note 30) (note i)	Contributed surplus HK$'000 (Note 31(a)) (note i)	Accumulated losses HK$'000 (note i)	Exchange fluctuation reserve HK$'000 (note i)	Sub-Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2013	13,023	450,896	254	47,063	17,313	26,758	(320,441)	12,087	246,953	14,015	260,968
Loss for the year	–	–	–	–	–	–	(70,588)	–	(70,588)	(2,254)	(72,842)
Other comprehensive income for the year	–	–	–	–	–	–	–	710	710	444	1,154
Total comprehensive loss for the year	–	–	–	–	–	–	(70,588)	710	(69,878)	(1,810)	(71,688)
Disposal of subsidiaries (Note 32)	–	–	–	–	–	–	–	(565)	(565)	(15,592)	(16,157)
At 31 March 2014 and 1 April 2014	13,023	450,896	254	47,063	17,313	26,758	(391,029)	12,232	176,510	(3,387)	173,123
Loss for the year	–	–	–	–	–	–	(1,622)	–	(1,622)	(211)	(1,833)
Other comprehensive income for the year	–	–	–	–	–	–	–	31	31	24	55
Total comprehensive loss for the year	–	–	–	–	–	–	(1,622)	31	(1,591)	(187)	(1,778)
Placing of new shares	652	20,538	–	–	–	–	–	–	21,190	–	21,190
Expenses incurred in connection with the placing of new shares	–	(1,907)	–	–	–	–	–	–	(1,907)	–	(1,907)
At 31 March 2015	**13,675**	**469,527**	**254**	**47,063**	**17,313**	**26,758**	**(392,651)**	**12,263**	**194,202**	**(3,574)**	**190,628**

Note:

(i) These reserve accounts comprise the consolidated reserves of HK$180,527,000 (2014: HK$163,487,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2015

	Notes	2015 HK$'000	2014 HK$'000
Cash flows from operating activities			
Loss before tax:			
From continuing operations		**(1,386)**	(52,480)
From discontinued operation	13	**–**	(14,874)
Adjustments for:			
Finance costs	8	**42**	8
Depreciation	7, 15	**3,180**	7,551
Amortisation of intangible assets	7, 17	**8,139**	12,658
Amortisation of deferred income	6, 28	**(473)**	(474)
Interest income	6	**(473)**	(142)
Fair value change on financial asset	21	**–**	(4,932)
Net loss on disposal of property, plant and equipment	7	**4,536**	417
Impairment of property, plant and equipment	7, 15	**1,883**	–
Impairment of intangible assets	7, 17	**–**	32,438
Impairment of goodwill	7, 16	**–**	9,960
Share of profit of an associate		**(89)**	(80)
Provision for long service payments	7, 27	**768**	973
Operating profit/(loss) before working capital changes		**16,127**	(8,977)
Decrease in amount due from an associate		**–**	1,025
(Increase)/decrease in trade receivables		**(27,096)**	252
Decrease/(increase) in prepayments, deposits and other receivables		**6,815**	(10,585)
(Increase)/decrease in inventories		**(83)**	9
Increase in trade payables		**1,027**	1,586
(Decrease)/increase in other payables and accrued liabilities		**(1,316)**	8,200
Decrease in provision for long service payments		**–**	(193)
Cash used in operations		**(4,526)**	(8,683)
Interest paid		**(2)**	(8)
Interest element of finance lease payables		**(40)**	–
Income tax paid		**(374)**	–
Net cash flows used in operating activities		**(4,942)**	(8,691)

	Notes	2015 HK$'000	2014 HK$'000
Cash flows from investing activities			
Purchases of property, plant and equipment	15	**(7,754)**	(1,202)
Proceeds from disposal of property, plant and equipment		**212**	41
Additions to intangible assets	17	**(106)**	(5)
Interest received		**473**	142
Increase in pledged time deposits		**(2,580)**	(484)
Net cash inflow on disposal of subsidiaries	32	**–**	5,249
Net cash flows (used in)/generated from investing activities		**(9,755)**	3,741
Cash flows from financing activities			
Decrease in loans from a director		**(334)**	(1,259)
Net proceeds from placing of new shares	29	**19,283**	–
Capital element of finance lease payables	26	**1,511**	(52)
Net cash flows generated from/(used in) financing activities		**20,460**	(1,311)
Net increase/(decrease) in cash and cash equivalents		**5,763**	(6,261)
Cash and cash equivalents at the beginning of the year		**57,001**	63,037
Effect of exchange rate changes on the balance of cash held in foreign currencies		**14**	225
Cash and cash equivalents at the end of the year		**62,778**	57,001
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**62,724**	56,947
Non-pledged time deposits with original maturity of less than three months when acquired		**54**	54
Cash and cash equivalents as stated in the consolidated statement of cash flows		**62,778**	57,001

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

STATEMENT OF FINANCIAL POSITION

At 31 March 2015

	Notes	2015 HK$'000	2014 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	18	**124,990**	71,604
Intangible assets	17	**43,991**	51,125
Total non-current assets		**168,981**	122,729
Current assets			
Amount due from a subsidiary	18	**800**	800
Prepayments, deposits and other receivables	22	**655**	659
Cash and cash equivalents	23	**146**	152
Total current assets		**1,601**	1,611
LIABILITIES			
Current liability			
Other payables and accrued liabilities	25	**1,205**	1,040
Net current assets		**396**	571
Total assets less current liabilities		**169,377**	123,300
Net assets		**169,377**	123,300
CAPITAL AND RESERVES			
Share capital	29	**13,675**	13,023
Reserves	31(b)	**155,702**	110,277
Total equity		**169,377**	123,300

Approved by the Board on 26 June 2015 and signed on its behalf by:

Ju Mengjun
Co-chairman

Lo Kou Hong
Co-chairman

The accompanying notes form an integral part of these consolidated 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 waste treatment service and the provision of television screen broadcast business.

As further detailed in Note 13 to the consolidated financial statements, the management consulting services businesses was classified as discontinued operation during the year ended 31 March 2014.

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

The consolidated financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand ("HK$'000"), unless otherwise stated.

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

The accounting policies adopted in the consolidated financial statements for the year ended 31 March 2015 are consistent with those followed in the preparation of the Group's consolidated statements for the year ended to 31 March 2014 except as described below.

In the current year, the Group has applied for the first time, the following new and revised standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Group's financial year beginning on 1 April 2014.

HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 – *Investment Entities*

The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity (assessed based on the criteria set out in HKFRS 10 as at 1 April 2014), the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 32 – *Offsetting Financial Assets and Financial Liabilities*

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 have been applied retrospectively. The Group has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments has no material impact on the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 36 – *Recoverable Amount Disclosures for Non-Financial Assets*

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

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

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

The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative hedging instrument arising from the novation should be included in the assessment of hedge effectiveness.

The amendments have been applied retrospectively. As the Group does not have any derivatives that are subject to novation, the application of these amendments has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

HK (IFRIC) – Int 21 – *Levies*

HK (IFRIC) – Int 21 – *Levies* addresses the issue of when to recognise a liability to pay a levy. The interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

HK (IFRIC) – Int 21 has been applied retrospectively. The application of this interpretation has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

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

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 2010-2012 Cycle[2]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle[1]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle[3]
HKFRS 9 (as revised in 2014)	Financial Instruments[6]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception[3]
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations[3]
HKFRS 14	Regulatory Deferral Accounts[4]
HKFRS 15	Revenue from Contracts with Customers[5]
HKAS 1 (Amendments)	Presentation of Financial Statements[3]
HKAS 19 (Amendments)	Defined Benefit Plans: Employees Contributions[1]
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements[3]
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants[3]

1 Effective for annual periods beginning on or after 1 July 2014

2 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

3 Effective for annual periods beginning on or after 1 January 2016

4 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

5 Effective for annual periods beginning on or after 1 January 2017

6 Effective for annual periods beginning on or after 1 January 2018

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

HKFRS 9 – *Financial Instruments*

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are 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 accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value 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. 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.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components.

The Directors of the Company do not anticipate that the application of these amendments to HKFRS 9 will have a material impact on the Group's consolidated financial statements.

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

Amendments to HKFRS 10 and HKAS 28 – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Amendments to HKAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.
- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.
- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

Amendments to HKFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into HKFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.
- New guidance has been introduced requiring that gains or losses resulting for those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The Directors of the Company do not anticipate that the application of these amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group's consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 – *Investment Entities: Applying the Consolidation Exception*

The narrow-scope amendments to HKFRS 10, HKFRS 12 and HKAS 28 introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the standards.

Amendments to HKFRS 11 – *Accounting for Acquisitions of Interests in Joint Operations*

The amendments to HKFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in HKFRS 3 *Business Combinations*. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by HKFRS 3 and other standards for business combinations.

The amendments to HKFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. The Directors of the Company do not anticipate that the application of these amendments to HKFRS 11 will have a material impact on the Group's consolidated financial statements.

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

HKFRS 14 – *Regulatory Deferral Accounts*

HKFRS 14 specifies the accounting for regulatory deferral account balances that arise from rate-regulated activities. The Standard is applicable only to first-time adopters of HKFRSs who recognised regulatory deferral account balances under their previous GAAP. HKFRS 14 permits eligible first-time adopters of HKFRSs to continue their previous GAAP rate-regulated accounting policies, with limited changes, and requires separate presentation of regulatory deferral account balances in the statement of financial position and statement of profit or loss and other comprehensive income. Disclosure are also required to identify the nature of, and risks associated with, the form of rate regulation that has given rise to the recognition of regulatory deferral account balances.

HKFRS 14 is effective for an entity's first annual HKFRS financial statements for annual periods beginning on or after 1 January 2016, with earlier application permitted. The Directors of the Company do not anticipate that the application of these amendments to HKFRS 14 will have a material impact on the Group's consolidated financial statements.

HKFRS 15 – *Revenue from Contracts with Customers*

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition.

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Directors of the Company do not anticipate that the application of these amendments to HKFRS 15 will have a material impact on the Group's consolidated financial statements.

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

Amendments to HKAS 1 – *Presentation of Financial Statements*

The amendments to HKAS 1 are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

Amendments to HKAS 19 – *Defined Benefit Plans: Employees Contributions*

The amendments to HKAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service either using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The Directors of the Company do not anticipate that the application of these amendments to HKAS 19 will have a significant impact on the Group's consolidated financial statements.

Amendments to HKAS 27 – *Equity Method in Separate Financial Statements*

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements

- at cost,
- in accordance with HKFRS 9 *Financial Instruments* (or HKAS 39 *Financial Instruments: Recognition and Measurement* for entities that have not yet adopted HKFRS 9), or
- using the equity method as described in HKAS 28 *Investments in Associates and Joint Ventures*.

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to HKAS 27, there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 *Consolidated Financial Statements* and to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards*.

The Directors of the Company do not anticipate that the application of these amendments to HKAS 27 will have a material impact on the Group's consolidated financial statements.

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

Amendments to HKAS 16 and HKAS 38 – *Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue.

b) when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. The Directors of the Company do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 41 – *Agriculture: Bearer Plants*

The amendments to HKAS 16 and HKAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with HKAS 16, instead of HKAS 41. The produce growing on bearer plants continues to be accounted for in accordance with HKAS 41.

The Directors of the Company do not anticipate that the application of these amendments to HKAS 16 and HKAS 41 will have a material impact on the Group's consolidated financial statements as the Group is not engaged in agricultural activities.

Annual Improvements to HKFRSs 2010-2012 cycle

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

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

Annual Improvements to HKFRSs 2010–2012 cycle (continued)

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The Directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2011–2013 cycle

The Annual Improvements to HKFRSs 2011-2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The Directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

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

Annual Improvements to HKFRSs 2012-2014 cycle

The Annual Improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments apply prospectively.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to HKFRS 7 Disclosure – Offsetting Financial Assets and Financial Liabilities issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with HKAS 34 Interim Financial Reporting.

The amendments to HKAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained earnings at the beginning of that period.

The amendments to HKAS 34 clarify the requirements relating to information required by HKAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The Directors of the Company do not anticipate that the application of these will have a material effect on the Group's consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs which is a collective term that includes all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA, and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Main Board Listing Rules") and by the applicable requirements of the Hong Kong Companies Ordinance.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Limitation to access the books and records of the discontinued operation

As disclosed in the Company's announcement dated 31 March 2014, 24 April 2014 and 28 April 2014, the Group entered into an agreement with an independent third party to dispose of the entire interest of Pan Asia Century Holdings Limited ("PAC Holdings"), and its subsidiaries, Pan Asia Century Investments Limited and Shanghai GoalReal Investments Advisory Company Limited ("GoalReal") (collectively referred to as the "Pan Asia Group"). The disposal was completed on 28 March 2014 (the "Disposal Date").

Subsequent to the disposal, the Group lost communication with GoalReal's key management personnel and its accounting personnel and thus were unable to access its books and records of GoalReal for the period from 1 April 2013 to the Disposal Date. Accordingly, the effect of such limitation are stated as below.

Firstly, in preparing the consolidated financial statements of the Group for the year ended 31 March 2014, the Group was unable to account for the financial effect of the Pan Asia Group and satisfied themselves regarding the treatment of the disposal transaction and related disclosures of the discontinued operations for the year ended 31 March 2014.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

Limitation to access the books and records of the discontinued operation (continued)

The financial information of GoalReal as disclosed in Note 13 and Note 32 of the consolidated financial statements was derived from the latest available financial information of GoalReal at 30 September 2013.

Secondly, the Group received a profit guarantee from the vendor of Pan Asia Group (the "Profit Guarantee"), Pan Asia Century Consulting Limited (the "Vendor") when the Group completed the acquisition of Pan Asia Group on 24 September 2012 (the "Acquisition"). For details, please refer to the Company's announcement dated 29 August 2012.

Under the Profit Guarantee, the Vendor shall pay to the Group, if the actual net profit of Pan Asia Group for the 12-month period from the date of the Acquisition (the "Profit Guarantee Period") falls below HK$10,000,000, in which case the Vendor shall pay to the Group an amount equivalent to 51% of the difference between HK$10,000,000 and the actual net profit. If Pan Asia Group records a net loss, the Vendor shall pay to the Group an amount equivalent to 51% of the sum of HK$10,000,000 and the absolute amount of the net loss.

According to latest available financial information up to the period ended 30 September 2013, the Pan Asia Group failed to meet the Profit Guarantee. Based on the contractual terms set out in the agreement of the Acquisition, the Group was entitled to a compensation which was estimated at approximately HK$6,938,000.

After negotiation with Vendor, the Directors agree with Vendor the amount of compensation for Profit Guarantee. On 28 October 2014, HK$7,000,000 was received.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

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

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a jointly venture.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5 or when the investment is designated as at fair value through profit or loss upon initial recognition.

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

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

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

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

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

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 acquire over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of tangible and intangible assets other than goodwill

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties transactions

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	5%
Leasehold improvements	Over the lease terms
Furniture and equipment	14.3% – 77%
Motor vehicles	14.3% – 25%
Tools and machinery	20% – 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 amortization 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.

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)

Financial instruments

Financial assets

Initial recognition and measurement

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

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

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

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)

Financial instruments (continued)

Financial assets (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, accrued liabilities, loans from a director and finance lease payables.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (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 nonmonetary 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 30 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Employment Ordinance long service payments

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

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

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

Retirement benefit schemes

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

3. 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:

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.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on relevant conditions existing at the end of each reporting period.

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 2015, the aggregate carrying amount of the Group's property, plant and equipment was approximately HK$21,765,000 (2014: HK$23,784,000), net of accumulated impairment loss of approximately HK$79,065,000 (2014: HK$77,182,000) and the aggregate carrying amount of the Group's intangible assets was approximately HK$55,831,000 (2014: HK$63,813,000), net of accumulated impairment loss of approximately HK$73,446,000 (2014: HK$73,446,000).

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 2015 was approximately HK$92,387,000 (2014: HK$72,095,000), net of accumulated impairment loss of Nil (2014: Nil).

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Provision for long service payments

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

Net realisable value of inventories

The Group performs regular review of the carrying amounts of inventories with reference to aged analyses of the Group's inventories, projections of expected future salability 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 salability 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 2015 was approximately HK$225,000 (2014: HK$142,000).

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 2015 was approximately HK$21,765,000 (2014: HK$23,784,000).

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 2015 was approximately HK$55,831,000 (2014: HK$63,813,000).

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

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

(d) the waste treatment business segment engages in the provision of organic waste treatment and sale of the by-products produced.

The management consulting services segment engages in the provision of investment management and consulting services, management solutions for hospitals and sales of medical equipment. This segment was acquired on 24 September 2012 and was disposed of on 28 March 2014. This segment was classified as discontinued operation after its disposal. For disposal of subsidiaries, please refer to Note 32 of the consolidated financial statements. For discontinued operation, please refer to Note 13 to the consolidated financial statement.

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 result, which is a measure of adjusted loss before tax from continuing operations. The adjusted loss before tax from continuing operations are measured consistently with the Group's loss before tax from continuing operations except that interest income, share of profit of an associate, fair value change on financial asset, impairment loss recognised in profit or loss in respect of intangible assets and goodwill, loss on disposal of subsidiaries, finance costs and unallocated head office and corporate expenses are excluded from such measurement.

Segment assets exclude investment in an associate, amount due from an associate and unallocated head office and corporate assets as these assets are managed on a group basis.

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

There are no intersegment sales and transfers between the segments.

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		Waste treatment		Sub-total		Management consulting services		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	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	**251,329**	218,223	**24,918**	742	**10,394**	8,508	**168**	71	**286,809**	227,544	**–**	430	**286,809**	227,974
Other income and gains	**262**	1,717	**367**	1	**473**	841	**2**	529	**1,104**	3,088	**–**	–	**1,104**	3,088
Total	**251,591**	219,940	**25,285**	743	**10,867**	9,349	**170**	600	**287,913**	230,632	**–**	430	**287,913**	231,062
Segment results	**12,033**	6,453	**7,139**	(20,028)	**2,349**	2,556	**(3,596)**	(4,364)	**17,925**	(15,383)	**–**	(4,921)	**17,925**	(20,304)
Reconciliation:														
Interest income									**473**	135	**–**	7	**473**	142
Share of profit of an associate									**89**	80	**–**	–	**89**	80
Unallocated expenses									**(19,831)**	(9,798)	**–**	–	**(19,831)**	(9,798)
Fair value change on financial asset									**–**	4,932	**–**	–	**–**	4,932
Impairment losses recognised in profit or loss in respect of:														
Intangible assets*									**–**	(32,438)	**–**	–	**–**	(32,438)
Goodwill**									**–**	–	**–**	(9,960)	**–**	(9,960)
Loss on disposal of subsidiaries									**–**	–	**–**	(5,450)	**–**	(5,450)
Finance costs									**(42)**	(8)	**–**	–	**(42)**	(8)
Loss before tax									**(1,386)**	(52,480)	**–**	(20,324)	**(1,386)**	(72,804)
Income tax expenses									**(447)**	(38)	**–**	–	**(447)**	(38)
Loss for the year									**(1,833)**	(52,518)	**–**	(20,324)	**(1,833)**	(72,842)

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

** Impairment of goodwill was related to the management consulting services segment.

5. OPERATING SEGMENT INFORMATION (continued)

	Continuing operations										Discontinued operation			
	Cleaning and related services		Television screen broadcast business		Medical waste treatment		Waste treatment		Sub-total		Management consulting services		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	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	**69,013**	62,873	**135,900**	121,282	**21,705**	21,047	**19,454**	22,139	**246,072**	227,341	**-**	–	**246,072**	227,341
Reconciliation:														
Investment in an associate									**704**	615	**-**	–	**704**	615
Amount due from an associate									**240**	240	**-**	–	**240**	240
Total assets									**247,016**	228,196	**-**	–	**247,016**	228,196
Segment liabilities	**26,845**	27,272	**4,599**	3,969	**6,719**	7,057	**7,360**	7,127	**45,523**	45,425	**-**	–	**45,523**	45,425
Reconciliation:														
Finance lease payables									**1,568**	57	**-**	–	**1,568**	57
Loans from a director									**9,297**	9,591	**-**	–	**9,297**	9,591
Total liabilities									**56,388**	55,073	**-**	–	**56,388**	55,073
Other segment information:														
Capital expenditure	**1,450**	741	**6,282**	316	**120**	151	**8**	–	**7,860**	1,208	**-**	–	**7,860**	1,208
Depreciation and amortisation	**764**	711	**8,277**	15,003	**1,280**	1,441	**998**	2,853	**11,319**	20,008	**-**	201	**11,319**	20,209
Impairment losses recognised in profit or loss in respect of:														
Property, plant and equipment	**-**	–	**-**	–	**-**	–	**1,883**	–	**1,883**	–	**-**	–	**1,883**	–
Intangible assets	**-**	–	**-**	32,438	**-**	–	**-**	–	**-**	32,438	**-**	–	**-**	32,438

5. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2015 HK$'000	2014 HK$'000
Hong Kong	**276,247**	218,964
Mainland China	**10,562**	8,580
	286,809	227,544

(b) Non-current assets

	2015 HK$'000	2014 HK$'000
Hong Kong	**48,497**	54,498
Mainland China	**29,803**	33,714
	78,300	88,212

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 for the year ended 31 March 2015 of approximately HK$63,826,000 (2014: HK$58,862,000) was derived from revenue by the cleaning and related services segment to the Group's largest single customer. Approximately HK$57,196,000 (2014: HK$53,609,000) was derived from another one (2014: one) customer contributed 10% or more to the Group's revenue for the year ended 31 March 2015.

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:

	Note	2015 HK$'000	2014 HK$'000
Revenue			
Cleaning and related service fee income		**251,329**	218,223
Television screen broadcast business income		**24,918**	742
Medical waste treatment income		**10,394**	8,508
Waste treatment income		**168**	71
		286,809	227,544
Other income and gains			
Interest income		**473**	135
Amortisation of deferred income*	28	**473**	474
Management fee received		**60**	60
Sundry income		**571**	2,555
		1,577	3,224

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

7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Notes	**2015 Continuing operations HK$'000**	2014 Continuing operations HK$'000	2014 Discontinued operation HK$'000
Cost of services rendered*		**221,780**	193,669	194
Auditors' remuneration		**980**	1,062	–
Minimum lease payments under operating lease in respect of land and buildings		**1,947**	1,466	325
Depreciation on owned property, plant and equipment	15	**2,995**	7,302	201
Depreciation on leased property, plant and equipment	15	**185**	48	–
Amortisation of intangible assets	17	**8,139**	12,658	–
Employee benefit expenses (including directors' remuneration (Note 9))				
Wages, salaries and other benefits		**192,554**	174,954	107
Retirement benefit scheme contributions		**8,387**	7,512	18
Provision for long service payments	27	**768**	532	–
Provision for untaken paid leave		**1,459**	1,061	–
Total employee benefit expenses		**203,168**	184,059	125
Impairment of property, plant and equipment	15	**1,883**	–	–
Impairment of intangible assets	17	**–**	32,438	–
Impairment of goodwill	16	**–**	–	9,960
Loss on disposal on subsidiaries		**–**	–	5,450
Net loss on disposal of property, plant and equipment		**4,536**	138	279

* The cost of services rendered included an employee benefit expenses of approximately HK$179,703,000 (2014: HK$163,566,000) incurred in the provision of services which has been included in the employee benefit expenses above.

8. FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Interest on a bank overdraft	**3**	–
Interest on finance leases	**39**	8
	42	8

All finance costs are from continuing operations only.

9. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Main Board Listing Rules and the Hong Kong Companies Ordinance is as follows:

	Fees		Salaries and allowances		Retirement benefit scheme contributions		Total	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Executive Directors								
Mr. Ju Mengjun *(Co-chairman)*	**–**	–	**–**	–	**–**	–	**–**	–
Dr. Lo Kou Hong *(Co-chairman)*	**–**	–	**1,398**	895	**83**	58	**1,481**	953
Mr. Xu Zugen (Resigned on 22 June 2013)	**–**	–	**–**	–	**–**	–	**–**	–
Mr. Mao Hongcheng (Resigned on 15 July 2013)	**–**	–	**–**	–	**–**	–	**–**	–
Mr. Chang Loong Cheong (Resigned on 10 September 2013)	**–**	–	**–**	190	**–**	–	**–**	190
Mr. Meng Jin (Resigned on 10 September 2013)	**–**	–	**–**	90	**–**	–	**–**	90
Mr. Shi Guoxiong (Resigned on 10 September 2013)	**–**	–	**–**	90	**–**	–	**–**	90
Mr. Zhou Guanghe (Resigned on 10 September 2013)	**–**	–	**–**	90	**–**	–	**–**	90
Mr. Yu Guang (Appointed on 14 August 2013)	**–**	–	**240**	152	**–**	–	**240**	152
Mr. David Wei Ji (Appointed on 20 August 2013)	**–**	–	**2,190**	806	**18**	2	**2,208**	808
Mr. Chang Yong (Appointed on 10 September 2013)	**–**	–	**–**	–	**–**	–	**–**	–
Mr. Yan Liang (Appointed on 10 September 2013)	**–**	–	**–**	–	**–**	–	**–**	–
Independent Non-executive Directors								
Mr. Xu Rong (Resigned on 3 September 2014)	**50**	150	**–**	–	**–**	–	**50**	150
Ms. Xu Zhijuan (Removed on 20 November 2013)	**–**	360	**–**	–	**–**	–	**–**	360
Mr. Tang Binfeng (Retired on 30 September 2014)	**60**	150	**–**	–	**–**	–	**60**	150
Mr. Wang Qi	**240**	160	**–**	–	**–**	6	**240**	166
Mr. Tsang Chi Hon (Appointed on 25 November 2013)	**480**	168	**–**	–	**–**	–	**480**	168
Mr. Ho Hin Yip (Appointed on 29 December 2014)	**120**	–	**–**	–	**–**	–	**120**	–
	950	988	**3,828**	2,313	**101**	66	**4,879**	3,367

9. DIRECTORS' REMUNERATION (continued)

No Directors waived or agreed to waive any remuneration during the year (2014: Nil). In addition, no emoluments were paid by the Group to the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office (2014: Nil).

Mr. Yu Guang was appointed as Chief Executive Officer of the Company and Mr. David Wei Ji was appointed as Chief Operating Officer of the Company.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2014: one) Directors, details of whose remuneration are set out in Note 9 above. Details of the remuneration of the remaining three (2014: four) non-Directors highest paid employee for the year are as follows:

	2015	2014
	HK$'000	HK$'000
Salaries and allowances	**4,100**	4,340
Retirement benefit scheme contributions	**266**	277
	4,366	4,617

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

	Number of employees	
	2015	2014
Nil to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**2**	2
HK$1,500,001 to HK$2,000,000	**1**	1
	3	4

No emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group, or as a compensation for loss of office during the year (2014: Nil). No five highest paid individuals waived or agreed to waive any remuneration during the year (2014: Nil).

11. INCOME TAX EXPENSES

	Note	2015 HK$'000	2014 HK$'000
Current tax			
Hong Kong		–	–
Mainland China		447	38
Tax charge from continuing operations for the year		447	38

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 (2014: Nil).

The corporate income tax has been provided for subsidiaries in Mainland China based on assessable profits arising in Mainland China during the year. 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.

No deferred tax liabilities was provided in respect of the tax that would be payable on the distribution of the retained profits as the Group determined that the retained profits as at 31 March 2015 would not be distributed in the foreseeable future.

A reconciliation of the tax position applicable to 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:

	Hong Kong		PRC		Total	
	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000
(Loss)/profit before tax from continuing operations	(2,146)	(52,158)	760	(322)	(1,386)	(52,480)
Tax at the statutory tax rate	(354)	(8,606)	190	(81)	(164)	(8,687)
Income not subject to tax	(132)	(1,115)	(732)	(1)	(864)	(1,116)
Expenses not deductible for tax	2,326	8,263	1,131	9	3,457	8,272
Tax losses utilised from previous years	(3,271)	(341)	(265)	(837)	(3,536)	(1,178)
Tax losses not recognised	1,431	1,799	123	948	1,554	2,747
Tax at the Group's effective rate	–	–	447	38	447	38

11. INCOME TAX EXPENSES (continued)

The Group has tax losses arising in Hong Kong of approximately HK$61,314,000 (2014: HK$64,070,000) 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$44,472,000 (2014: HK$45,041,000) for continuing operations, 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 2015 includes a loss of HK$14,064,000 (2014: HK$104,313,000) which has been dealt with in the consolidated financial statements of the Company (Note 31 (b)).

13. DISCONTINUED OPERATION

Save as disclosed in Note 3 to the consolidated financial statement, on 28 March 2014, the Group entered into an agreement to dispose of the entire issued share capital of PAC Holdings and the full amount of the interest-free shareholder's loan owed by PAC Holdings to the Group. PAC Holdings and its subsidiaries carried out the management consulting services business of the Group. The disposal was completed on 28 March 2014 immediately after execution of the agreement, on which date the Group ceased to hold any issued share capital of PAC Holdings. Details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposal, are disclosed in Note 32.

The loss from the discontinued operation which has been included in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows are set out below:

	Notes	2014 HK$'000
Revenue		430
Other income and gains		7
Impairment loss on goodwill	16	(9,960)
Expenses		(5,351)
Loss before tax from discontinued operation		(14,874)
Income tax expenses		–
Loss for the year		(14,874)
Loss on disposal of subsidiaries	32	(5,450)
Loss for the year from discontinued operation		(20,324)
Loss for the year from discontinued operation attributable to:		
Owners of the Company		(18,228)
Non-controlling interest		(2,096)
		(20,324)
Loss for the year from discontinued operation includes the following:		
Depreciation on owned property, plant and equipment		201
Loss on disposal of items of property, plant and equipment		279

13. DISCONTINUED OPERATION (continued)

The net cash flows incurred by the management consulting services business are as follows:

	2014 HK$'000
Operating activities	(8,448)
Effect of foreign exchange rate changes, net	509
Net cash outflow	(7,939)
Loss per share:	
Basic and diluted, from the discontinued operation	HK$(0.0140)

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

	2014 HK$'000
Loss attributable to ordinary equity holders of the Company from the discontinued operation	(18,228)

	Note	**Number of shares** 2014
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	14	1,302,286,040

14. LOSS PER SHARE ATTRIBUTABLE TO OWNERS 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 owners of the Company, and the weighted average number of ordinary shares of 1,335,689,876 (2014: 1,302,286,040) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 March 2015 and 2014 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

14. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (continued)

Basic and diluted loss per share (continued)

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

	2015 HK$'000	2014 HK$'000
Loss		
Loss attributable to owners of the Company used in the basic and diluted loss per share calculation:		
– Continuing and discontinued operations	**(1,622)**	(70,588)
– Discontinued operation	**–**	(18,228)
– Continuing operations	**(1,622)**	(52,360)

	Number of shares 2015	2014
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	**1,335,689,876**	1,302,286,040

For the year ended 31 March 2014, basic loss per share for the discontinued operations was HK$0.0140 per share based on the loss for the year from discontinued operation of HK$20,324,000 and denominators detailed for basic and diluted loss per share.

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 2013	–	5,388	4,544	5,649	6,487	22,068
Additions	–	150	249	139	665	1,203
Disposals	–	(343)	(230)	(179)	(260)	(1,012)
Derecognised on disposal of subsidiaries	–	–	–	(1,014)	(13)	(1,027)
Reclassified from assets held for sale	53,594	–	158	–	69,175	122,927
Exchange realignment	1,006	7	14	58	1,299	2,384
At 31 March 2014 and 1 April 2014	54,600	5,202	4,735	4,653	77,353	146,543
Additions	–	4,759	534	1,787	674	7,754
Disposals	–	(4,759)	(225)	(1,611)	(3,537)	(10,132)
Exchange realignment	234	–	3	9	288	534
At 31 March 2015	**54,834**	**5,202**	**5,047**	**4,838**	**74,778**	**144,699**
Accumulated depreciation and impairment						
At 1 April 2013	–	3,030	2,942	3,601	4,617	14,190
Charge for the year	2,664	1,972	1,066	673	1,176	7,551
Written back on disposals	–	(64)	(170)	(164)	(156)	(554)
Eliminated on disposal of subsidiaries	–	–	–	(363)	(12)	(375)
Reclassified from assets held for sale	31,384	–	75	–	68,577	100,036
Exchange realignment	584	1	9	30	1,287	1,911
At 31 March 2014 and 1 April 2014	34,632	4,939	3,922	3,777	75,489	122,759
Charge for the year	904	142	595	497	1,042	3,180
Written back on disposals	–	–	(212)	(1,611)	(3,522)	(5,345)
Impairment for the year	1,883	–	–	–	–	1,883
Exchange realignment	160	–	3	8	286	457
At 31 March 2015	**37,579**	**5,081**	**4,308**	**2,671**	**73,295**	**122,934**
Carrying amount						
At 31 March 2015	**17,255**	**121**	**739**	**2,167**	**1,483**	**21,765**
At 31 March 2014	19,968	263	813	876	1,864	23,784

At 31 March 2015 and 2014, 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 2015 and 2014.

At 31 March 2015, certain furniture and equipment and motor vehicles with carrying amount of approximately HK$1,690,000 (2014: HK$48,000) were under finance leases.

15. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group (continued)

As a result of poor performance of waste treatment segment, the Directors conducted comprehensive reviews on the recoverable amounts of the carrying values of property, plant and equipment related to waste treatment segment. The review led to the recognition of an impairment losses of approximately HK$1,883,000 on buildings, which has been recognised in profit or loss. The recoverable amount of the relevant buildings has been determined on its fair value less costs of disposal reference to a valuation report prepared by an independent valuer.

The impairment losses have been included in profit or loss in the other operating expenses line item.

Fair value measurement

The Group's buildings at revalued amount are categorised into level 3 of the fair value hierarchy.

The following table shows the valuation techniques used in the determination of fair values and unobservable inputs used in the valuation models.

Description	Fair value 2014 HK$'000	Significant valuation technique	Unobservable input	Significant inputs	Relationship of input to the fair value
Buildings in the PRC	17,255	Depreciated replacement cost	Replacement cost per square meter	RMB1,154 to RMB1,787 per square meter	The higher the replacement cost, the higher the fair value
			Discount factor	50% to 70%	The higher the discount factor, the higher the fair value

16. GOODWILL

The Group

	Note	HK$'000
Cost		
At 1 April 2013		62,145
Disposal of subsidiaries during the year	32	(22,960)
At 31 March 2014, 1 April 2014 and 31 March 2015		39,185
Accumulated impairment		
At 1 April 2013		39,185
Impairment loss recognised during the year		9,960
Disposal of subsidiaries during the year	32	(9,960)
At 31 March 2014, 1 April 2014 and 31 March 2015		39,185
Carrying amount		
At 31 March 2015		–
At 31 March 2014		–

16. GOODWILL (continued)

The Group (continued)

Management consulting services:

During the year ended 31 March 2014, goodwill resulted from the acquisition of 100% equity interest of Pan Asia Group of approximately HK$9,960,000 was fully impaired. 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 2013	34,376	151,286	185,662
Additions	5	–	5
Exchange realignment	645	–	645
At 31 March 2014 and 1 April 2014	35,026	151,286	186,312
Additions	106	–	106
Exchange realignment	151	–	151
At 31 March 2015	**35,283**	**151,286**	**186,569**
Accumulated amortisation and impairment			
At 1 April 2013	20,949	56,063	77,012
Amortisation during the year	998	11,660	12,658
Impairment for the year	–	32,438	32,438
Exchange realignment	391	–	391
At 31 March 2014 and 1 April 2014	22,338	100,161	122,499
Amortisation during the year	1,005	7,134	8,139
Exchange realignment	100	–	100
At 31 March 2015	**23,443**	**107,295**	**130,738**
Carrying amount			
At 31 March 2015	**11,840**	**43,991**	**55,831**
At 31 March 2014	12,688	51,125	63,813

17. INTANGIBLE ASSETS (continued)

The Company

	Free right HK$'000
Cost	
At 1 April 2013, 31 March 2014, 1 April 2014 and 31 March 2015	**151,286**
Accumulated amortisation and impairment	
At 1 April 2013	56,063
Amortisation during the year	11,660
Impairment for the year	32,438
At 31 March 2014 and 1 April 2014	100,161
Impairment for the year	7,134
At 31 March 2015	**107,295**
Carrying amount	
At 31 March 2015	**43,991**
At 31 March 2014	51,125

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 "Revenue Undertaking"). Since the Revenue Undertaking was not fulfilled, APRB has to pay appropriate compensation to the Company. The Company had entered into the Remedial Agreement with APRB on 15 July 2014 whereby as full and final compensation for the non-fulfilment of the Revenue Undertaking, APRB has undertaken to the Company that the aggregate revenue for the two financial years ending 31 March 2016 would be no less than HK$170,000,000 (the "Further Undertaking"). If the Further Undertaking is not fulfilled, APRB shall pay to the Group as liquidated damages a sum equivalent to 12% of the shortfall of the Further Undertaking.

Up to the date of this report, the Directors of the Company believe that the revenue to be generated from the free rights will not be less than HK$170,000,000 for the two financial years ending 31 March 2016. Therefore, no contingent consideration receivable was recognised.

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 disposal 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 2015 and 2014 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 using a steady growth rate of 3% (2014: 5%) per annum 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. The pre-tax discount rate used was 19.1% (2014:17.0%). As the recoverable amount of medical waste treatment is higher than its carrying amount, no impairment on medical waste treatment was recognised during the year ended 31 March 2015 and 2014.

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.

Free right:

The estimates of the recoverable amount of the free right as at 31 March 2015 and 2014 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 25.0% (2014: 26.5%) by reference to the valuation performed by an independent professional valuer. Cash flows beyond the five-year period had been extrapolated using a steady growth rate of 10% 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.

The Directors are of the opinion that no impairment is needed for the year ended 31 March 2015. During the year ended 31 March 2014, impairment loss on free right of HK$32,438,000 was recognised 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 2015 HK$'000	2014 HK$'000
Unlisted share/investments, at cost	**59,522**	59,522
Amounts due from subsidiaries	**254,357**	281,042
	313,879	340,564
Impairment*	**(188,089)**	(268,160)
	125,790	72,404
Portion classified as current assets	**(800)**	(800)
Non-current portion	**124,990**	71,604

* An impairment was recognised for certain unlisted investments and amounts due from subsidiaries with a carrying amount of HK$294,119,000 (before deducting the impairment loss) (2014: HK$241,830,000) because of the deteriorating operating results of certain subsidiaries. No impairment loss was recognised for the year ended 31 March 2015 (2014: Nil).

The amounts due from subsidiaries are unsecured, interest-free and no fixed term 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	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
Honest Grand International Limited	British Virgin Islands/ Hong Kong	US$100 Ordinary	–	100	Investment holding
Victory Joy International Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary	–	100	Investment holding
Seasun Group Limited	British Virgin Islands/ Hong Kong	US$3,000 Ordinary	–	65	Investment holding
Lo's Tsinghua Daring Medical Waste Treatment (China) Holdings Limited**	Hong Kong	HK$1 Ordinary	–	65	Investment holding

18. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
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	HK$10,000,000	–	55	Provision of medical waste treatment services
Suifa Lo's Tsinghua Daring Environmental Technology Limited***	PRC	HK$10,000,000	–	55	Provision of medical waste treatment services
Heihe Lo's Tsinghua Daring Environmental Technology Limited***	PRC	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 Environmental Technology Limited***	PRC	RMB123,640,000	–	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
Ally Thrive Investments Limited	British Virgin Islands/ Hong Kong	US$100 Ordinary	100	–	Dormant

18. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
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 Investment Advisory Company Limited*	PRC	RMB20,000,000	–	51	Provision of management consulting services

* Disposed of on 28 March 2014

** Deregistered on 19 July 2013

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

19. INVENTORIES

	The Group 2015 HK$'000	2014 HK$'000
Finished goods	**225**	142

20. INVESTMENT IN AN ASSOCIATE

	The Group 2015 HK$'000	2014 HK$'000
Unlisted share, at cost	**4**	4
Share of net assets	**700**	611
	704	615
Amount due from an associate	**240**	240

The amount due from an associate is unsecured, interest-free and repayable on demand. The carrying amount of the amount due from an associate approximates to its fair value.

20. INVESTMENT IN AN ASSOCIATE (continued)

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:

	2015 HK$'000	2014 HK$'000
Assets	**2,612**	2,070
Liabilities	**852**	532
Revenue	**1,640**	1,364
Profit	**222**	201

21. FINANCIAL ASSET

Financial asset represents the fair value of the consideration adjustment arose from the acquisition of Pan Asia Group during the year ended 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 movement of the financial asset is stated as below:

	2015 HK$'000	2014 HK$'000
At the beginning of the year	**–**	2,006
Fair value change (Note (a))	**–**	4,932
Reclassified to other receivable (Note (b))	**–**	(6,938)
At the end of the year	**–**	–

Note:

(a) The fair value change of financial assets during the year ended 31 March 2014 was estimated reference to the financial statement of Pan Asia Group at 30 September 2013 as stated in Note 3.

(b) As explained in Note 3, the compensation of the Profit Guarantee from the Vendor was reclassified to other receivable when the completion of Profit Guarantee Period.

22. TRADE RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	The Group	
	2015	2014
	HK$'000	HK$'000
Trade receivables	**60,588**	33,488

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	
	2015	2014
	HK$'000	HK$'000
Within 30 days	**22,195**	19,243
31 to 60 days	**10,320**	10,434
61 to 90 days	**12,369**	3,434
91 to 120 days	**691**	273
Over 120 days	**15,013**	104
	60,588	33,488

Included in the Group's trade receivables balances are debtors with aggregate carrying amount of approximately HK$15,704,000 (2014: HK$377,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the balances are considered recoverable.

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

Ageing of trade receivables that are past due but not impaired:

	2015 **HK$'000**	2014 HK$'000
Overdue by:		
1 to 30 days	**691**	273
Over 30 days	**15,013**	104
	15,704	377

	The Group		**The Company**	
	2015 **HK$'000**	2014 HK$'000	**2015** **HK$'000**	2014 HK$'000
Prepayments	**7,198**	5,570	**477**	482
Deposits	**4,734**	7,660	**–**	–
Other receivables (Note)	**19,867**	25,377	**178**	177
	31,799	38,607	**655**	659

Note:

At 31 March 2015, included in other receivables was a loan receivable amount to HK$18,000,000 advanced to a company not connected to the Group. The loan receivable is unsecured, charged at an interest rate of 6.00% per annum and due on 24 August 2015.

23. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	The Group		The Company	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**62,724**	56,947	**92**	98
Time deposits	**13,140**	10,560	**54**	54
	75,864	67,507	**146**	152
Less: Pledged short-term time deposits for banking facilities	**(13,086)**	(10,506)	**–**	–
Cash and cash equivalents	**62,778**	57,001	**146**	152

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$3,559,000 (2014: HK$2,757,000). 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$13,086,000 (2014: HK$10,506,000).

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	
	2015	2014
	HK$'000	HK$'000
Within 30 days	**3,669**	2,566
31 to 60 days	**1,326**	1,254
61 to 90 days	**66**	49
Over 90 days	**129**	293
	5,190	4,162

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

25. OTHER PAYABLES AND ACCRUED LIABILITIES

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

	The Group		The Company	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other payables	**6,755**	7,710	**287**	416
Accrued liabilities (Note)	**24,504**	24,872	**918**	624
	31,259	32,582	**1,205**	1,040

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

26. FINANCE LEASE PAYABLES

The Group leases certain of its furniture and equipment and motor vehicles for its business. These leases are classified as finance leases and have remaining lease terms from 3 to 4 years (2014: remaining lease terms of one year).

At 31 March 2015 and 2014, 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	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable:				
Within one year	**404**	60	**359**	57
In the second year	**404**	–	**371**	–
In the third to fifth years, inclusive	**867**	–	**838**	–
Total minimum finance lease payments	**1,675**	60	**1,568**	57
Future finance charges	**(107)**	(3)		
Total net finance lease payables	**1,568**	57		
Portion classified as current liabilities	**(359)**	(57)		
Non-current portion	**1,209**	–		

27. PROVISION FOR LONG SERVICE PAYMENTS

	Note	The Group 2015 HK$'000	2014 HK$'000
At the beginning of the year		**2,290**	1,510
Provision for long service payments, net	7	**768**	973
Amounts utilised during the year		**–**	(193)
At the end of the year		**3,058**	2,290

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.

28. DEFERRED INCOME

	Note	The Group 2015 HK$'000	2014 HK$'000
Cost			
At 1 April		**7,681**	7,539
Exchange realignment		**33**	142
At 31 March		**7,714**	7,681
Accumulated amortisation			
At 1 April		**1,610**	1,116
Amortisation during the year	6	**473**	474
Exchange realignment		**9**	20
At 31 March		**2,092**	1,610
Net carrying amount		**5,622**	6,071

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.

29. SHARE CAPITAL

	2015 HK$'000	2014 HK$'000
Authorised:		
2,000,000,000 ordinary shares of HK$0.01 each	**20,000**	20,000
Issued and fully paid:		
1,367,486,040 (2014: 1,302,286,040) ordinary shares of HK$0.01 each	**13,675**	13,023

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:

	Number of shares in issue	Issued capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Total HK$'000
At 1 April 2013, 31 March 2014 and 1 April 2014	1,302,286,040	13,023	450,896	17,313	481,232
Placing of new shares (Note)	65,200,000	652	20,538	–	21,190
Expenses incurred in connection with the placing of new shares	–	–	(1,907)	–	(1,907)
At 31 March 2015	**1,367,486,040**	**13,675**	**469,527**	**17,313**	**500,515**

Note: On 25 September 2014, 65,200,000 ordinary shares of HK$0.01 each of the Company were issued at a price of HK$0.325 per share.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in Note 30 to the consolidated financial statements.

30. SHARE OPTION SCHEME

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

30. SHARE OPTION SCHEME (continued)

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.

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

	2015		2014	
	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 and 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**
2015	**19,000**	**0.275**	**22/4/05 – 21/4/15**
2014	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.

30. SHARE OPTION SCHEME (continued)

No share option expense was recognised by the Group during the year ended 31 March 2015 (2014: Nil).

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 1.39% of the Company's shares in issue as at that date.

31. 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.

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	Share option reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2013	450,896	254	17,313	59,511	(313,384)	214,590
Total comprehensive loss for the year	–	–	–	–	(104,313)	(104,313)
At 31 March 2014 and 1 April 2014	450,896	254	17,313	59,511	(417,697)	110,277
Total comprehensive income for the year	–	–	–	–	26,794	26,794
Placing of new shares	20,538	–	–	–	–	20,538
Expenses incurred in connection with the placing of new shares	(1,907)	–	–	–	–	(1,907)
At 31 March 2015	**469,527**	**254**	**17,313**	**59,511**	**(390,903)**	**155,702**

31. RESERVES (continued)

(b) The Company (continued)

The Company'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. 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.

32. DISPOSAL OF SUBSIDIARIES

As explained in Note 3, on 28 March 2014, the Group entered into an agreement to dispose of the entire issued share capital of PAC Holdings and the full amount of the interest-free shareholder's loan owed by PAC Holdings to the Group. PAC Holdings and its subsidiaries carried out the management consulting services business of the Group. The disposal was completed on 28 March 2014 immediately after execution of the agreement, on which date the Group ceased to hold any issued share capital of PAC Holdings.

Total consideration satisfied by:

	HK$'000
Cash consideration	**29,000**

The carrying amount and fair value of the net assets disposed of are as follows:

	HK$'000
Property, plant and equipment (Note 15)	**652**
Goodwill (Note 16)	**13,000**
Trade receivables	**5,708**
Prepayments, deposits and other receivables	**35,583**
Cash and cash equivalents	**6,751**
Trade payables	**(2,014)**
Other payables and accrued liabilities	**(5,626)**
Tax payable	**(3,447)**
Net assets disposed of	**50,607**

32. DISPOSAL OF SUBSIDIARIES (continued)

Loss on disposal of subsidiaries

	HK$'000
Consideration received	29,000
Net assets disposed of	(50,607)
Release of exchange fluctuation reserve	565
Non-controlling interest	15,592
Loss on disposal of subsidiaries (Note 13)	(5,450)

Net cash inflow on disposal of subsidiaries

	HK$'000
Cash consideration received (Note)	12,000
Less: Cash and cash equivalent disposed of	(6,751)
	5,249

Note: For the cash consideration of HK$29,000,000 on the disposal of subsidiaries, approximately HK$12,000,000 was received during the year ended 31 March 2014 and approximately HK$17,000,000 was received during the year ended 31 March 2015.

33. CONTINGENT LIABILITIES

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

(a) The Group has executed performance guarantees to the extent of an aggregate amount of HK$10,649,000 (2014: HK$4,914,000) 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$5,522,000 as at 31 March 2015 (2014: HK$4,227,000), 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$3,058,000 (2014: HK$2,290,000) in respect of such payments has been made in the consolidated statement of financial position as at 31 March 2015.

(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 2015 and 2014.

34. OPERATING LEASE ARRANGEMENTS

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

At 31 March 2015 and 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	The Group	
	2015	2014
	HK$'000	HK$'000
Within one year	**2,873**	733
In the second to fifth years, inclusive	**4,104**	351
	6,977	1,084

35. 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 are also directors of the Company, during the year. A related company is owned by a discretionary trust of which the beneficiaries include the family members of Dr. Lo Kou Hong.

		2015	2014
	Notes	**HK$'000**	HK$'000
Management fee income from a related company	(i)	**60**	60
Interest income from an associate	(ii)	**–**	34

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 for the year ended 31 March 2014.

For the transactions constitute continuing connected transactions under the Main Board Listing Rules, please refer to "Connected Transactions" under "Report of the Directors".

(b) Outstanding balance with related parties:

Amount due from an associate

The amount due from an associate is unsecured, interest-free and repayable on demand.

Loans from a director

As at 31 March 2015, the loans from a director amounted to approximately HK$9,297,000 are included in continuing operations (2014: HK$9,591,000). The loans are unsecured, interest-free and not repayable within the next twelve months except for a loan of approximately HK$5,564,000 (2014: HK$2,015,000) which is repayable within the next twelve months.

35. RELATED PARTY TRANSACTIONS (continued)

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

	2015 HK$'000	2014 HK$'000
Short-term employee benefits	**3,828**	2,313
Post-employment benefits	**101**	60
Total compensation paid to key management personnel	**3,929**	2,373

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

36. FINANCIAL INSTRUMENTS BY CATEGORY

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

	The Group 2015 HK$'000	2014 HK$'000
Financial assets		
Loans and receivables		
Amount due from an associate	**240**	240
Trade receivables	**60,588**	33,488
Financial assets included in prepayments, deposits and other receivables	**23,449**	31,876
Pledged time deposits	**13,086**	10,506
Cash and cash equivalents	**62,778**	57,001
Financial liabilities		
Financial liabilities at amortised cost		
Trade payables	**5,190**	4,162
Financial liabilities included in other payables and accrued liabilities	**12,466**	12,587
Finance lease payables	**1,568**	57
Loans from a director	**9,297**	9,591

36. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

	The Company 2015 HK$'000	2014 HK$'000
Financial assets		
Loans and receivables		
Amounts due from subsidiaries	**125,790**	124,588
Cash and cash equivalents	**146**	152
Financial liabilities		
Financial liabilities at amortised cost		
Financial liabilities included in other payables and accrued liabilities	**1,205**	1,040

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

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

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

Foreign currency risk

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

Credit risk

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

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

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

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 9% and 73% 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.

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
2015					
Trade payables	**–**	**5,190**	**–**	**–**	**5,190**
Financial liabilities included in other payables and accrued liabilities	**12,466**	**–**	**–**	**–**	**12,466**
Finance lease payables	**–**	**101**	**303**	**1,271**	**1,675**
Loans from a director	**–**	**–**	**5,564**	**3,733**	**9,297**
	12,466	**5,291**	**5,867**	**5,004**	**28,628**
2014					
Trade payables	–	4,162	–	–	4,162
Financial liabilities included in other payables and accrued liabilities	12,587	–	–	–	12,587
Finance lease payables	–	14	46	–	60
Loans from a director	–	504	1,511	7,576	9,591
	12,587	4,680	1,557	7,576	26,400

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The Company

	On demand HK$'000
2015	
Financial liabilities included in other payables and accrued liabilities	**1,205**
2014	
Financial liabilities included in other payables and accrued liabilities	**1,040**

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 2015 and 2014.

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	
	2015 HK$'000	2014 HK$'000
Current assets	**168,716**	139,984
Current liabilities	**(42,766)**	(39,136)
Net current assets	**125,950**	100,848
Current ratio	**3.9**	3.6

Fair value of financial instruments

The directors consider that the carrying amounts of the financial assets and financial liabilities recognised in the consolidated financial statements that are not measured at fair value on a recurring basis approximate their fair values.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair value of financial instruments (continued)

Reconciliation of Level 3 fair value measurements of financial assets for the year ended 31 March 2014

	Consideration adjustment arise from acquisition of subsidiaries HK$'000
Opening balance	2,006
Gains or losses recognised in profit or loss	4,932
Reclassify to other receivable	(6,938)
Closing balance	–

The Company does not have any financial asset and financial liability which is measured at fair value as at 31 March 2015 and 2014.

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

38. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 26 June 2015.

FIVE YEAR FINANCIAL SUMMARY

RESULTS

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.

	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000
CONTINUING OPERATIONS					
REVENUE	**286,809**	227,544	201,167	193,594	177,314
LOSS BEFORE TAX	**(1,386)**	(52,480)	(56,747)	(113,869)	(63,122)
INCOME TAX EXPENSES	**(447)**	(38)	–	–	(283)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	**(1,833)**	(52,518)	(56,747)	(113,869)	(63,405)
DISCONTINUED OPERATION					
LOSS FOR THE YEAR FROM DISCONTINUED OPERATION	**–**	(20,324)	652	–	–
LOSS FOR THE YEAR	**(1,833)**	(72,842)	(56,095)	(113,869)	(63,405)
LOSS ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY	**(1,622)**	(70,588)	(56,569)	(90,040)	(51,809)
NON-CONTROLLING INTERESTS	**(211)**	(2,254)	474	(23,829)	(11,596)
	(1,833)	(72,842)	(56,095)	(113,869)	(63,405)
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**247,016**	228,196	317,769	319,330	242,131
TOTAL LIABILITIES	**(56,388)**	(55,073)	(56,801)	(48,193)	(42,484)
NON-CONTROLLING INTERESTS	**3,574**	3,387	(14,015)	3,632	(19,042)
	194,202	176,510	246,953	274,769	180,605