XINHUA NEWS MEDIA HOLDINGS LIMITED

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

Annual Report 2015/2016

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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
Wen Xin Nian

Independent Non-executive Directors

Tsang Chi Hon
Wang Qi
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)*
Tsang Chi Hon

EXECUTIVE COMMITTEE

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

CORPORATE GOVERNANCE COMMITTEE

David Wei Ji *(Chairman)*
Yu Guang
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
PO Box 1586
Grand Cayman
KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
22nd Floor,
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

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

STOCK CODE

309

COMPANY'S WEBSITE

www.XHNmedia.com

CO-CHAIRMAN'S STATEMENT

Dear Shareholders,

Xinhua News Media Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") overcame headwinds in a complicated economic environment and strived for the development of the Group. The management of the Group insists on its view that building on its broadcasting information and advertisements through indoor/outdoor screen outlets, the Company may achieve brilliant growth prospects for its results through integration of the rapidly developing new media business and optimisation of resources and personnel structure.

Over the past year, the Company had relentlessly improved its indoor/outdoor screen business and continued to broadcast high-quality selected media programmes. Television screen outlets at places such as 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 of the Hong Kong International Airport remained popular platforms of news, information and advertisement for travelers. At the same time, we were aware that revenue generation fell short of expectations due to several limiting factors.

For the coming year, the rearranged management and the staff of the Company will explore new horizons and identify extra growth potentials on the foundation of existing screen resources. Following the development trend of new media, we will boost the resource development and platform establishment in additional fields and regions. The Company is looking for business cooperation with large corporations and the development direction and market position of the Group will be more precise.

I and the management of the Company remain confident about our future development. With concerted efforts, we will not falter under the weight of expectation and will brave the storm to capture more opportunities with utmost endeavour, thereby making a brand-new contribution to the competitiveness of the Company.

On behalf of the Board of Directors, I would like to take this opportunity to express heartfelt 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, 22 June 2016

LO'S CLEANING SERVICES LTD., A WHOLLY-OWNED SUBSIDIARY OF XINHUA NEWS MEDIA HOLDINGS LTD., WAS FOR THE TWELFTH YEAR RECOGNISED AS A CARING COMPANY AND THEREAFTER AWARDED "CARING COMPANY 10 YEARS +" BY THE HONG KONG COUNCIL OF SOCIAL SERVICE.

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

Dear Shareholders,

Global economic growth in the year under review was stuck in low gear with a mix of changing indicators; the plummeting crude oil prices, the rattled stock markets and the sluggish state of economy in Eurozone and other emerging markets. It is expected that the volatile financial markets will continue in 2016 and beyond.

Momentum in the economy of China was also in a slowdown mode. Performance of investment and consumption, the two drivers of economy, weakened and hence had adversely affected growth. With the implementation of reforms and stimulus measures, including lending interest rate cuts and investment incentives, GDP growth in 2016 is, however, expected to moderately maintain.

As a highly externally oriented market, Hong Kong is always sensitive to external environments. Momentum was softened and home property prices dropped since the second half of 2015 as a result of increasing expectation of an imminent interest rate hike, dented local consumption and decreasing inbound tourism.

The labour market in the year under review was broadly stable. The unemployment rate stayed at a low level of about 3.3%, notwithstanding the visible slowdown of the tourism-related sectors.

The work concepts and values of the employees especially those of the younger generation have changed. They want to be recognised. They want to be asked for opinions other than just taking instructions. It is therefore important for employers to make their employees fully aware of their career paths and opportunities within their companies and to engage and foster their loyalty. For this, the Group has been running dedicated staff consultative programs, including sharing with our employees the work issues, discussing their concerns and welfare and providing them with training and development opportunities so that they are ready when the chances of promotion come up.

Having satisfied the criteria of their scheme, the Group has again been awarded "Caring Company Logo" by The Hong Kong Council of Social Service for the year 2015/2016.

I wish to thank whole-heartedly our shareholders for their support to the Group, to my fellow directors for their valuable contributions and to our dedicated staff for their loyal and devoted services over the past year.

Lo Kou Hong
Co-Chairman

Hong Kong, 22 June 2016

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

The turnover of Xinhua News Media Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2016 amounted to approximately HK$309,846,000 (2015: HK$286,809,000) represented 8.0% increase as compared to the previous year. The loss of the Group was approximately HK$60,121,000 (2015: HK$1,833,000). Cleaning and related services business made a profit of approximately HK$12,781,000, the medical waste treatment business made a profit of approximately HK$2,888,000, the television screen broadcast business made a loss of approximately HK$73,829,000, which was due to an impairment loss of trade receivable of approximately HK$30,000,000 and an impairment of intangible assets of approximately HK$36,858,000 was recognised at the end of reporting period and the waste treatment businesses made a loss of approximately HK$1,503,000.

FINANCIAL REVIEW

As at 31 March 2016, the Group's cash and cash equivalents and pledged time deposits totaled approximately HK$57,769,000 (2015: HK$75,864,000) and its current ratio (excluded the discontinued operation) was 3.87 (2015: 3.95). The Group's net assets were approximately HK$129,790,000 (2015: HK$190,628,000).

As at 31 March 2016, the Group did not have any bank borrowings but the Group had finance lease payables and loans from a director of approximately HK$1,209,000 and approximately HK$6,417,000 respectively (2015: HK$1,568,000 and HK$9,297,000) and therefore, its gearing ratio, representing ratio of finance lease payables and loans from a director to shareholders' equity was 5.9% (2015: 5.7%). The Group's shareholders' equity amounted to approximately HK$129,790,000 as at 31 March 2016 (2015: HK$190,628,000).

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 2016, the Group's banking facilities were secured by the pledge of certain of the Group's time deposits amounting to approximately HK$2,025,000 (2015: HK$13,086,000).

BUSINESS REVIEW

Television screen broadcast business

In the past financial year, the Group has continued to face increasing headwind from adverse macro-economic conditions in Hong Kong as well as mainland China. As a result, an impairment of the free right was done due to a shortfall of total revenue realised from the Further Undertaking.

The slowdown of growth in Mainland China has caused a significant decrease in mainland tourists visiting Hong Kong. This has caused a direct impact in total viewership of many of our LED platform which are located in tourist heavy locations such as Hung Hom Station and Hong Kong International Airport. Furthermore, many of our targeted potential advertisers were hesitant in committing to long-term, large sum advertising contracts from the uncertainty of economic conditions in the near term.

The decrease of market advertising pricing combined with a shortening of average duration of advertising contracts have had a direct impact in future earnings potential of the LED screen platform advertising. As a result, this has caused the Group to terminate several potential investment opportunities into the LED screen advertising space due to increased risk and lowered returns. Consequently, many of the potential investment projects failed to meet all of the investment criteria of the Group which has translated into slower growth of the television screen broadcast business.

Despite the aforementioned difficulties, the Group will continue to explore possible investment and expansion in this space.

Loan Agreement

Reference is made to announcements of the Company dated 19 July 2016 (the "Announcements"). Capitalised terms used in this paragraph, unless the context requires otherwise, shall have the same meanings as those defined in the Announcements.

On 25 August 2014, the Company entered into the Loan Agreement with the Borrower, pursuant to which the Company agreed to grant to the Borrower a loan in the principal amount of HK$18,000,000, bearing interest at a rate of 6% per annum for a period of one year. On 24 August 2015, the Company, and the Borrower, entered into the Extension Agreement to extend the maturity date of the Loan for one year from 24 August 2015 to 23 August 2016. Under the Extension Agreement, the Extended Loan together with all interest accrued thereon shall be repaid to the Company on the extended maturity date of 23 August 2016.

Listing Rules Implications

As the respective applicable percentage ratios (as defined in the Listing Rules) in respect of the making of the Loan and the Extended Loan exceed 5% but are less than 25%, the advance of the Loan and the making of Extended Loan respectively constitute discloseable transactions for the Company under and are subject to the notification and announcement requirements under Rule 14.34 of the Listing Rules.

Delay in the publication of the Announcements

The delays in the publication of the Announcements constitute breaches of Rule 14.34 of the Listing Rules. At the time of entering into the Loan Agreement and the Extension Agreement, the Directors misconceived that the Company was only required to rely on the Rule 13.13 of the Listing Rules and as the respective asset ratio in respect of the Loan Agreement and the Extension Agreement did not exceed 8%, the Directors mistakenly thought no announcements were required to be made. Hence, the disclosure obligation under Rule 14.34 of the Listing Rules was inadvertently overlooked. The Directors were fully aware of the disclosure obligation under Chapter 14 of the Listing Rules and will monitor the advances to entities or affiliated companies and the terms of loan agreements to ensure that disclosures are made on timely basis. The Directors would also seek advices from professional advisers as to the appropriate disclosure required under the Listing Rules from time to time.

Cleaning and related services

Subsequent to the revision of the statutory minimum wage ("SMW") rate from $30.00 to $32.50 per hour from 1 May 2015, representing an increase of 8.33%, wages of our workforce were also adjusted. However, as per provisions in most of the service contracts with our customers, we were able to revise our service charges in line with the movement of the SMW rate accordingly.

The Group has come a long way since its early days and is now focusing on providing professional cleaning services of high quality to our customers and has established sound reputation and gained customers' confidence.

During the year under review, the Group had been able to secure several new service contracts, some of which were from two renowned property developers, with whom the business association was established not so long ago. One of which was for a brand new prestigious residential development on Island East and another two were for a low-rise housing development in the New Territories as well as a top-notch commercial building in the heart of Central. On top of these new contracts, several major contracts on hand were renewed for one to three years with reasonable adjustments of the service charges.

The Group had successfully extended the scope of high-level cleaning. During the year, contracts were signed to provide external wall, overhead fitting and roof cleaning for hospitals and the ancillary buildings which demanded a higher degree of hygiene and more stringent job completion requirements. Moreover, extra safety measures and care must be exercised in the course of our work in view of the frequent in-and-out of visitors, patients and traffic.

Facing a more and more competitive environment, we have been aiming to diversify our services and widen our scope for which we had been successful in the year. A new contract had been signed with an existing customer located next to the airport in Lantau to provide labour for unpacking and de-boxing their supplies and provisions for aircrafts.

Medical waste treatment business

The Group operates two medical waste treatment plants in the PRC, one is located in Siping City and the other one is located in Suihua City. Both plants 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.

PROSPECTS

Television screen broadcast business

The Group still holds exclusive broadcasting rights granted by Xinhua News Agency Asia-Pacific Bureau for the duration of another five years. The Group also holds contracts to several high profile LED locations such as Hung Hom Train Station and Hong Kong International Airport. Together, the Group is still keen to realise and to extract value from these two valuable platforms. The Group still holds plans to grow the existing platform only when a potential investment project meets all of the Group's prudent investment criteria.

In the coming year, the Group will start to explore and to expand into other areas of businesses such as Newspapers, Magazines, cable subscription, online-mobile advertising and others. These other forms of traditional and non-traditional advertising channels can create great synergy with the Group's existing advertising platform. The Group's strong media background and deep experience is also better suited to expand into these new areas. The Group believes that the potential growth from these new areas will create a brighter future for the media advertising segment of the Group.

Cleaning and related services

Most analysts have projected that the economy in both the Mainland and Hong Kong in the coming year would show an unsteady and slowdown growth and that the outlook is gloomy. Nevertheless, in view of our competitive strength, the Group is cautiously confident in maintaining our market shares and service incomes, which are derived from our professional cleaning services, stone finishing maintenance and restoration and sales of stone maintenance products manufactured by our business partner in Italy.

Medical waste treatment business

The two medical waste treatment plants located in Siping City and Suihua City have been operating smoothly in the past year and is expected to continue. The Group can therefore reasonably expect the medical waste treatment business will continue to bring in revenue to the Group in the future.

DIVIDEND

The Directors do not recommend the payment of any dividend to shareholders for the year ended 31 March 2016 (2015: Nil).

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$16,824,000 (2015: HK$10,649,000) 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$6,686,000 as at 31 March 2016 (2015: HK$5,522,000). The contingent liability has arisen because, at the end of the reporting period, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A provision of HK$3,850,000 (2015: HK$3,058,000) in respect of such payments has been made in the condensed consolidated statement of financial position as at 31 March 2016.

(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 2016 and 2015.

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees of the Group as at 31 March 2016 was 1,609 (2015: 1,623). Total staff costs, including directors' emoluments and net pension contributions, for the period under review amounted to HK$226,175,000 (2015: HK$203,168,000). 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 59

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 73

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 41

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.

Biographical Information of Directors

Mr. David Wei Ji, aged 35

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. Wen Xin Nian, aged 47

Mr. Wen Xin Nian ("Mr. Wen") is an Executive Director. He join the Company in August 2015. Mr. Wen is the General Manager of Xinhua News Agency Asia- Pacific Regional Bureau. Mr. Wen graduated from Faculty of English at Shanghai International Studies University and Faculty of International News Reporting and Editing at China School of Journalism. He also participated in the Chinese Central Government–sponsored training courses at Duke University. Mr. Wen has more than 23 years of employment with Xinhua News Agency and has extensive journalistic experience (including news reporting, translating, editing and etc). Mr. Wen has served various positions in Xinhua News Agency, such as foreign correspondent, head of Afghanistan wartime reporting taskforce, chief correspondent and assistant director of News and Information Centre, in different bureaus of Xinhua News Agency (including the Amman (Jordan) Bureau, the Nicosia (Cyprus) Bureau, the Athens (Greece) Bureau and Asia-Pacific Regional Bureau).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Qi, aged 61

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 42

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 42

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 joined the Company in December 2014. Mr. Ho 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 each of China Ever Grand Financial Leasing Group Co., Ltd. (stock code: 379), LC Group Holdings Limited (stock code: 1683) and Jiyi Household International Holdings Limited (stock code: 1495), all are companies whose shares listed on the Main Board of the Stock Exchange.

ENVIRONMENT SOCIAL GOVERNANCE REPORT

ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

While striving to promote our business, Xinhua News Media Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") attached equal weight to our environmental, social and corporate responsibility. The Group generally complies with all applicable local legislation and other relevant requirements, including environment, employment, safety and working conditions.

The Group pays particular attention to prevention of pollution, waste minimisations and resources conservation. The Group carries out regular performance reviews to check that our environmental objectives and requirements are met. The Group is committed to minimise any adverse impact on the environment from our business activities and take such commitment as one of our core management processes.

A major subsidiary of the Group has been certified with ISO 9001(Quality Management Systems), ISO14001(Environmental Management Systems) and OHSAS 18001 (Occupational Health and Safety Management Systems) for over 10 years, which demonstrates its determination to ensure that its implementation of the above management systems is continuous and effective.

The Group provides training to its staff and those who work on its behalf to help them upgrade themselves in skills and knowledge, which in turn can benefit the Group in improving its efficiency and performance.

The Group's employees are encouraged to get involved with the community by participating voluntarily in charitable events, such as charity fund-raising walks, to help the poor and people in need.

The Group provides employment opportunities to the vulnerable, under-privileged and disabled groups. During the year, the Group had employed several people from this group after providing them with suitable training.

Recognising that close communications with our customers is important in enhancing sustainable growth, the Group has established several channels, such as regular meetings held with our customers, surveys on our performance conducted at regular intervals, etc., to maintain our communication with our customers to hear their opinions and comments.

The Group maintains constant dialogue with our stakeholders, including our employees, suppliers and contractors, to hear their views, to encourage them to abide by relevant laws and regulations and to pay special attention to environmental protection requirements.

CORPORATE GOVERNANCE REPORT

The board of directors (the "Board") of Xinhua News Media Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") hereby presents this Corporate Governance Report in the Company's annual report for the year ended 31 March 2016.

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 25 September 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.

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.

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 2016.

The Company also has established written guidelines on no less exact 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 five 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 2016 and up to the date of this annual report were as follows:

- Mr. Chang Yong resigned as an Executive Director and a member of the executive committee and corporate governance committee of the Company with effect from 6 August 2015. His resignation is due to his intention to spend more time on his personal commitments.
- Mr. Wen Xin Nian was appointed as an Executive Director with effect from 21 August 2015.

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. The terms of reference of the nomination committee has been 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 2016, the Directors had provided a record of training they received during the year to the Company. According to the training records provided by the Directors, the training attended by them during the reporting period was related to Corporate Governance, regulatory development and training on other relevant topics.

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, board meetings were held to, among other things, review and approve the publications of various announcements, consider and approve appointment and resignation of 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 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 2016 demonstrates Directors' strong commitment to the Company. During the financial year ended 31 March 2016, the Directors have made active contribution to the affairs of the Group and a total of 5 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 2015 and the final results for the year ended 31 March 2015. 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 2016 are set out below:

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

Notes:

(1) Mr. Chang Yong resigned on 6 August 2015 and hence he has not attended any Board or general meetings held on or before 6 August 2015.

(2) Mr. Wen Xin Nian was newly appointed on 21 August 2015 and hence he has not attended any Board meetings held on or before 21 August 2015.

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 2016, one remuneration committee was held and 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	1/1

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 2016, three audit committee meetings were held to review the financial statements and results announcement and reports for the year ended 31 March 2015 and interim results for the six months ended 30 September 2015.

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)*	3/3
Mr. Wang Qi	2/3
Mr. Ho Hin Yip	3/3

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. The terms of reference of the nomination committee has been 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 2016, 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 three members, namely, Mr. Yu Guang, Mr. David Wei Ji, and Mr. Tsang Chi Hon. The chairman of the corporate governance committee is Mr. David Wei Ji.

During the year ended 31 March 2016, the corporate governance committee held one meeting and attendance was as follows:

	Meetings attended
Executive Directors	
Mr. David Wei Ji *(Chairman of the corporate governance committee)*	1/1
Mr. Yu Guang	1/1
Mr. Chang Yong (Note)	0/1
Mr. Yan Liang	1/1

Note:

Mr. Chang Yong resigned on 6 August 2015 and hence he has not attended any Corporate Governance Committee meetings held after 6 August 2015.

Independent Non-executive Director	
Mr. Tsang Chi Hon	1/1

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 four members, namely, Mr. Ju Mengjun, the Co-chairman of the Board, Mr. Yu Guang, Mr. David Wei Ji 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 2016, 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 2016, 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 2016 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 2016, 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$1,010,000 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 Friday, 25 September 2015 at 23/F, 381 Queen's Road 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 29 September 2016 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.

REPORT OF THE DIRECTORS

The Board of Directors ("the Board") is pleased to present this Report of the Directors and the audited financial statements of Xinhua News Media Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2016.

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 2016 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 99.

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 100. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Details of movements in the Company's share capital, share options and warrants during the year are set out in Note 25 to the financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2016.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 26 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2016, the Company had no reserves available for distribution. The Company's share premium account, in the amount of approximately 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 65% of the total sales for the year, and sales to the largest customer included therein amounted to approximately 25%.

Purchases from the Group's five largest suppliers accounted for approximately 46% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 20%.

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

DIRECTORS

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

Executive directors:

Mr. Ju Mengjun *(Co-Chairman)*

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

Mr. Yu Guang

Mr. David Wei Ji

Mr. Chang Yong (Resigned on 6 August 2015)

Mr. Yan Liang (Resigned on 8 July 2016)

Mr. Wen Xin Nian (Appointed on 21 August 2015)

Independent non-executive directors:

Mr. Wang Qi

Mr. Tsang Chi Hon

Mr. Ho Hin Yip

Biographical details of the Directors are set out on pages 11 to 13 of the annual 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, Dr. Lo Kou Hong, Mr. Yu Guang and David Wei Ji 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.

DIRECTORS' SERVICE CONTRACT

Each of the Directors except Mr. Yu Guang, Mr. David Wei Ji, Mr. Chang Yong, Mr. Wen Xin Nian, 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 2016.

CONTRACT OF SIGNIFICANT

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.

INTEREST 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 2016, the interests of the directors of the Company in the shares and underlying shares of the Company and its associated corporations as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance (the "SFO"); or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions of Listed Issuer's (the "Model Code"), were as follows:

A.(1) Interests in shares of the Company

Name of director	Long/short position	Capacity	Number of ordinary shares	Percentage* of the Company's issued share capital
Mr. Yu Guang	Long	Interest held by controlled corporation	133,387,000 (Note (1))	9.75%
Dr. Lo Kou Hong	Long	Beneficial owner	40,000,000	2.93%
	Long	Interest of spouse	1,700,000 (Note (2))	0.12%

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) Dr. Lo Kou Hong was deemed to be interested in the 1,700,000 shares of the Company through interest of the spouse, Ms. Ko Lok Ping, Maria Genoveffa, who personally and beneficially owns such 1,700,000 shares of the Company.

* The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 March 2016.

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

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

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

* The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 31 March 2016.

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

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

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 on 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.

* The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 31 March 2016.

In addition to the above, as at 31 March 2016, 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 2016, 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 2016.

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 Scheme

The previous share option scheme of the Company (the "Scheme") expired on 23 April 2013 and the share options under the Scheme lapsed upon the expiration of the exercise period of the share options on 21 April 2015. Further details of the Scheme are disclosed in note 25 to the financial statements.

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

Name or category of participant	Number of share options: At 1 April 2014, 31 March 2015 and 1 April 2015	Number of share options: Lapsed during the year	Number of share options: At 31 March 2016	Date of grant of share options (1)	Exercise period of share options	Exercise price of share options (2) HK$ per share
Directors						
Dr. Lo Kou Hong	6,000,000	(6,000,000)	–	12-5-05	22-4-05 to 21-4-15	0.275
Other employees						
In aggregate (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 2016. The share options under the Scheme lapsed upon the expiration of the exercise period of share options i.e. 21 April 2015.

New share option scheme

A new share option scheme for the purpose of providing incentive and rewards to eligible participants who contribute to success of the Group's operations was adopted on 25 September 2015.

No share options has been granted under the new share option scheme up to 31 March 2016.

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

As at 31 March 2016, the following persons (other than the Directors) had interests of 5% or more in the issued shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

(1) Interests in shares of the Company

Name of substantial shareholder	Long/short position	Capacity	Number of ordinary shares	Percentage* of the Company's issued share capital
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 owned by APRB, the entire issued share capital of which was owned by Xinhua News Agency Asia-Pacific Regional Bureau. Accordingly, Xinhua News Agency Asia-Pacific Regional Bureau was deemed to be interested in such shares pursuant to Part XV of the SFO.

(2) 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 2016.

CONNECTED TRANSACTIONS

Remedial Agreement in relation to the Cooperation Agreement

Reference is made to announcement of the Company dated 20 July 2016 in relation to the very substantial acquisition and connected transaction regarding the Settlement and the Remedial Agreement (the "Announcement"). Capitalised terms used in this paragraph, unless the context requires otherwise, shall have the same meanings as those defined in the Announcement.

Pursuant to the Remedial Agreement, Asia-Pacific Regional Bureau has undertaken to the Company that the aggregate Audited Operating Revenue for the two financial years ending 31 March 2016 would be no less than HK$170,000,000. The Board announces that, the aggregate Audited Operating Revenue for the two financial years ending 31 March 2016 was HK$30,000,000, which was less than HK$170,000,000, according to the audited consolidated financial statements for the year ended 31 March 2016 which were finalized and announced on 22 June 2016 and therefore the Further Undertaking was not fulfilled. As a result, Asia-Pacific Regional Bureau is liable to pay to the Company as liquidated damages a sum equivalent to 12% of the shortfall of the Further Undertaking, being HK$16,800,000, as shown in the item headed other receivable under the audited consolidated financial statements for the year ended 31 March 2016, within one month of written request by the Company. The Company has not yet issued such written request. However, the Company has communicated the matter with Asia-Pacific Regional Bureau for an amicable settlement. Meanwhile, the Company is seeking legal advice on the matter. The Company will then relate the legal advice to the independent non-executive directors' of the Company for their opinion on whether the Further Undertaking has been fulfilled and for their authorization to the Board to formally issue the written request. The Company will continue to closely monitor any further developments of the matter and will make further announcements in compliance with the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as well as the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as and when appropriate.

CHANGE IN DIRECTORS' INFORMATION

Changes in the composition of the Board and Board committees during the year ended 31 March 2016 were as follows:

Mr. Chang Yong resigned as an Executive Director and a member of the executive committee and corporate governance committee under the Board with effect from 6 August 2015.

Mr. Wen Xin Nian was appointed as an Executive Director with effect from 21 August 2015.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the Main Board 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 2016.

CORPORATE GOVERNANCE

Details of the corporate governance practices of the Company are set out in the section headed "Corporate Governance Report" on pages 15 to 26.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 28 September 2016 to 29 September 2016, both days inclusive, during which period no transfer of shares will be registered. In order to qualify to attend and vote at the annual general meeting, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 27 September 2016.

AUDITORS

The consolidated financial statements for the year ended 31 March 2016 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
Co-Chairman
Hong Kong
22 June 2016

Lo Kou Hong
Co-Chairman
Hong Kong
22 June 2016

INDEPENDENT AUDITORS' REPORT

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

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

TO THE SHAREHOLDERS OF XINHUA NEWS MEDIA HOLDINGS LIMITED

(Incorporated in 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 99, which comprise the consolidated statements of financial position as at 31 March 2016, 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 audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2016 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Shek Lui

Practising Certificate Number: P05895

Hong Kong, 22 June 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
Revenue	6	**309,846**	286,809
Other income and gains	6	**21,068**	1,577
Staff costs	7	**(226,175)**	(203,168)
Depreciation and amortisation		**(11,074)**	(11,319)
Impairment of intangible assets	15	**(36,858)**	–
Provision for impairment of trade receivables	18	**(30,000)**	–
Other operating expenses		**(86,593)**	(75,332)
Finance costs	8	**(46)**	(42)
Share of results of an associate	17	**26**	89
Loss before tax	7	**(59,806)**	(1,386)
Income tax expenses	11	**(315)**	(447)
Loss for the year		**(60,121)**	(1,833)
Other comprehensive (loss)/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		**(717)**	55
Total comprehensive loss for the year		**(60,838)**	(1,778)
(Loss)/profit attributable to:			
Owners of the Company		**(60,248)**	(1,622)
Non-controlling interests		**127**	(211)
		(60,121)	(1,833)
Total comprehensive loss attributable to:			
Owners of the Company		**(60,604)**	(1,591)
Non-controlling interests		**(234)**	(187)
		(60,838)	(1,778)
Loss per share attributable to owners of the Company			
Basic and diluted	12	**HK$(0.0441)**	HK$(0.0012)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**23,059**	21,765
Intangible assets	15	**10,269**	55,831
Investment in an associate	17	**730**	704
Total non-current assets		**34,058**	78,300
Current assets			
Inventories	16	**308**	225
Amount due from an associate	17	**240**	240
Trade receivables	18	**45,551**	60,588
Prepayments, deposits and other receivables	18	**46,801**	31,799
Pledged time deposits	19	**2,025**	13,086
Cash and cash equivalents	19	**55,744**	62,778
Total current assets		**150,669**	168,716
LIABILITIES			
Current liabilities			
Trade payables	20	**5,914**	5,190
Other payables and accrued liabilities	21	**32,254**	31,259
Loans from a director	29(b)	**–**	5,564
Finance lease payables	22	**371**	359
Tax payable		**413**	394
Total current liabilities		**38,952**	42,766
Net current assets		**111,717**	125,950
Total assets less current liabilities		**145,775**	204,250

Consolidated Statement of Financial Position

At 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current liabilities			
Loans from a director	29(b)	6,417	3,733
Finance lease payables	22	838	1,209
Provision for long service payments	23	3,850	3,058
Deferred income	24	4,880	5,622
Total non-current liabilities		15,985	13,622
Net assets		129,790	190,628
EQUITY			
Equity attributable to owners of the Company			
Share capital	25	13,675	13,675
Reserves	26	119,923	180,527
		133,598	194,202
Non-controlling interests		(3,808)	(3,574)
Total equity		129,790	190,628

Approved by the Board on 22 June 2016 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 2016

	Attributable to owners of the Company										
	Share capital HK$'000 (Note 25)	Share premium HK$'000 (Note 25) (note i)	Capital redemption reserve HK$'000 (note i)	Merger reserve HK$'000 (Note 26) (note i)	Share option reserve HK$'000 (note i)	Contributed surplus HK$'000 (Note 26) (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 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 and 1 April 2015	13,675	469,527	254	47,063	17,313	26,758	(392,651)	12,263	194,202	(3,574)	190,628
Loss for the year	–	–	–	–	–	–	(60,248)	–	(60,248)	127	(60,121)
Other comprehensive loss for the year:	–	–	–	–	–	–	–	(356)	(356)	(361)	(717)
Total comprehensive loss for the year	–	–	–	–	–	–	(60,248)	(356)	(60,604)	(234)	(60,838)
Lapsed of share options	–	–	–	–	(17,313)	–	17,313	–	–	–	–
At 31 March 2016	**13,675**	**469,527**	**254**	**47,063**	**–**	**26,758**	**(435,586)**	**11,907**	**133,598**	**(3,808)**	**129,790**

Note:

(i) These reserve accounts comprise the consolidated reserves of HK$119,923,000 (2015: HK$180,527,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
Cash flows from operating activities			
Loss before tax		(59,806)	(1,386)
Adjustments for:			
Amortisation of intangible assets	15	8,112	8,139
Amortisation of deferred income	24	(460)	(473)
Depreciation	13	2,962	3,180
Finance costs	8	46	42
Interest income	6	(1,105)	(473)
Impairment of property, plant and equipment	13	–	1,883
Impairment of intangible assets	15	36,858	–
Provision for impairment of trade receivables	18	30,000	–
Provision for long service payments	23	938	768
Share of results of an associate	17	(26)	(89)
Written off of property, plant and equipment		25	–
Net loss on disposal of property, plant and equipment	7	–	4,536
Operating profit before working capital changes		17,544	16,127
Increase in trade receivables		(15,012)	(27,096)
(Increase)/decrease in prepayments, deposits and other receivables		(13,995)	6,815
Increase in inventories		(82)	(83)
Increase in trade payables		728	1,027
Increase/(decrease) in other payables and accrued liabilities		1,394	(1,316)
Decrease in provision for long service payments		(146)	–
Cash used in operations		(9,569)	(4,526)
Net income tax paid		(290)	(374)
Net cash flows used in operating activities		(9,859)	(4,900)
Cash flows from investing activities			
Purchases of property, plant and equipment	13	(5,205)	(7,754)
Proceeds from disposal of property, plant and equipment		–	212
Additions to intangible assets	15	–	(106)
Interest received		25	473
Decrease/(increase) in pledged time deposits		11,062	(2,580)
Net cash flows generated from/(used in) investing activities		5,882	(9,755)

	Notes	2016 HK$'000	2015 HK$'000
Cash flows from financing activities			
Capital element of finance lease payables	22	(359)	1,511
Decrease in loans from a director		(2,450)	(334)
Interest element of finance lease payables		(46)	(40)
Interest paid		–	(2)
Net proceeds from placing of new shares	25	–	19,283
Net cash flows (used in)/generated from financing activities		(2,855)	20,418
Net (decrease)/increase in cash and cash equivalents		(6,832)	5,763
Cash and cash equivalents at the beginning of the year		62,778	57,001
Effect of exchange rate changes on the balance of cash held in foreign currencies		(202)	14
Cash and cash equivalents at the end of the year	19	55,744	62,778
Analysis of balances of cash and cash equivalents			
Cash and bank balances		55,690	62,724
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	19	55,744	62,778

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

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.

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 2016 are consistent with those followed in the preparation of the Group's consolidated statements for the year ended to 31 March 2015 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 2015.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle
HKAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions

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

In the opinion of directors, the application of the new HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

In addition, the Group has adopted the amendments to The Rule Governing the Listing of Securities on Main Board of the Stock Exchange (the "Main Board Listing Rule") relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance ("CO")(Cap. 622) during the current financial year. The main impact to the consolidated financial statements is on the presentation and disclosure of certain information in the consolidated financial statements.

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

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

1 Effective for annual periods beginning on or after 1 January 2019

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

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 a date to be determined

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 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.

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

HKFRS 9 – *Financial Instruments* (continued)

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. 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 of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company is in the process of making an assessment of the potential impact of the application of HKFRS 9 and it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

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

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 entity 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 is in process of making an assessment of the potential impact of the application of HKFRS 15 and it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

The directors of the Company do not anticipate that the application of other new HKFRS will have a material impact 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 Hong Kong Financial Reporting Standards ("HKFRSs") which also include Hong Kong Accounting Standards ("HKASs") and interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong, the applicable disclosure required by the CO and the applicable disclosure provisions of Main Board Listing Rules.

The provisions of the new CO (Cap. 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 March 2016. Further, the disclosure requirements set out in the Main Board Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly, the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 March 2016 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 March 2015 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Main Board Listing Rules but not under the new CO or amended Main Board Listing Rules are not disclosed in these consolidated financial statements.

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

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustments in the next year are discussed in Note 4 to the consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation

The consolidated financial statements included the financial statements of the Group and the Group's interest in associates made up to 31 March each year.

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 orderly transactions 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 liability, the Group takes into account the characteristic 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 "*Share-based Payment*", leasing transactions that are within the scope of HKAS 17 "*Leases*", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "*Inventories*" or value in use in HKAS 36 "*Impairment of Assets*".

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.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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;
- 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 component 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 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 values 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 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

In the Company's statement of financial position, an investment in subsidiaries is stated at cost less impairment losses.

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Interest in 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest in associate (continued)

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.

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of 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. Acquisition-related costs are generally recognised in profit or loss as incurred.

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

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

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

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

Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate or a jointly controlled entity over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit ("CGU(s)") or groups of CGUs that is expected to benefit from the synergies of the combination and is tested annually for impairment. In respect of associate or joint venture, the carrying amount of goodwill is included in the carrying amount of the interest in the associate or joint venture and the investment as a whole is tested for impairment whenever there is objective evidence of impairment.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate or joint venture is recognised immediately in profit or loss.

On disposal of a CGU of an associate or a joint venture, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

(a) A person or a close member of that person's family, is related to the Group if that person:

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

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

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) 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).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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.

Gain or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful life at the following rates per annum:

Buildings	5%
Leasehold improvements	Over the lease terms
Furniture and equipment	14.3% – 77%
Motor vehicles	14.3% – 25%
Tools and machinery	20% – 33%

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually. There is no depreciation imposed on the freehold land.

Intangible assets (Other than goodwill)

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

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

Leasing

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in associates accounted for under the equity method in the consolidated financial statements, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount. The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

– For unquoted equity securities and current receivables that are carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for current receivables are reversed if in a subsequent period the amount of the impairment loss decreases. Impairment losses for equity securities are not reversed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets (continued)

(i) Impairment of investments in debt and equity securities and other receivables (continued)

– For financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets).

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses in respect of other receivables are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– intangible assets;

– investments in subsidiaries and associates; and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its net selling price 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 time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a CGU).

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the CGU to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying amount of asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets (continued)

(ii) Impairment of other assets (continued)

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

Financial instruments

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

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

Financial assets

Financial assets are classified into the following specified categories: financial assets at FVTPL, "held-to-maturity" investments, "available-for-sale" ("AFS") financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, amounts due from associates, pledged bank deposits as well as cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables (continued)

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

Impairment of financial assets

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

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

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

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

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

Financial liabilities

Other financial liabilities

Other financial liabilities (including trade and other payables, finance lease payables, as well as loans from a director) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

Provisions and contingent liabilities

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.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefit is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

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

Current tax

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

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Current and deferred tax for the year

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

(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.

Employee benefits

Paid leave carried forward

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

Employment Ordinance long service payments

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Retirement benefit schemes

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

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

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

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

Borrowing costs

Borrowing costs are recognised as expenses in the statement of comprehensive income in the period in which they are incurred.

Foreign currencies

These consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the statement of comprehensive income. 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 functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. 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 statement of comprehensive incomes are translated into Hong Kong dollars at the weighted average exchange rates for the year. Exchange differences arising are recognised in the exchange reserve.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

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 ("CODM") for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical location.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Classification between intangible assets and property, plant and equipment

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

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement 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 judgement 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 2016, the aggregate carrying amount of the Group's property, plant and equipment was approximately HK$ 23,059,000 (2015: HK$21,765,000), net of accumulated impairment loss of approximately HK$79,065,000 (2015: HK$79,065,000) and the aggregate carrying amount of the Group's intangible assets was approximately HK$10,269,000 (2015: HK$55,831,000), net of accumulated impairment loss of approximately HK$110,304,000 (2015: HK$73,446,000).

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Provision for impairment of trade and other receivables

The Group makes provision for impairment of trade and other receivables based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of judgement and estimates. Where the expectation on the recoverability of trade and other receivables is different from the original estimate, such difference will impact the carrying value of trade and other receivables and impairment expenses in the period in which such estimate has been changed. The aggregate carrying amount of the Group's trade and other receivables as at 31 March 2016 was approximately HK$92,352,000 (2015: HK$92,387,000), net of accumulated impairment loss of HK$30,000,000 (2015: Nil).

Provision for long service payments

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

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 2016 was approximately HK$308,000 (2015: HK$225,000).

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 2016 was approximately HK$23,059,000 (2015: HK$21,765,000).

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 2016 was approximately HK$10,269,000 (2015: HK$55,831,000).

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 business 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.

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, impairment loss recognised in profit or loss in respect of intangible assets, 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 inter-segment 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:

	Cleaning and related services		Television screen broadcast business		Medical waste treatment		Waste treatment		Total	
	2016 HK'000	2015 HK'000	2016 HK'000	2015 HK'000	2016 HK'000	2015 HK'000	2016 HK'000	2015 HK'000	2016 HK'000	2015 HK'000
Segment revenue:										
Service income from external customers	291,123	251,329	7,500	24,918	11,154	10,394	69	168	309,846	286,809
Other income and gains	82	262	52	367	529	473	-	2	663	1,104
Total	291,205	251,591	7,552	25,285	11,683	10,867	69	170	310,509	287,913
Segment results	12,781	12,033	(73,829)	7,139	2,888	2,349	(1,503)	(3,596)	(59,663)	17,925
Reconciliation:										
Interest income									1,105	473
Share of results of an associate									26	89
Unallocated income									19,300	-
Unallocated expenses									(20,528)	(19,831)
Finance costs									(46)	(42)
Loss before tax									(59,806)	(1,386)
Income tax expenses									(315)	(447)
Loss for the year									(60,121)	(1,833)
Segment assets	81,793	69,013	65,265	135,900	19,605	21,705	17,094	19,454	183,757	246,072
Reconciliation:										
Investment in an associate									730	704
Amount due from an associate									240	240
Total assets									184,727	247,016
Segment liabilities	30,666	26,845	3,205	4,599	6,221	6,719	7,219	7,360	47,311	45,523
Reconciliation:										
Finance lease payables									1,209	1,568
Loans from a director									6,417	9,297
Total liabilities									54,937	56,388
Other segment information:										
Capital expenditure (Note)	2,751	1,450	1,535	6,282	919	120	-	8	5,205	7,860
Depreciation and amortisation	944	764	7,941	8,277	1,217	1,280	972	998	11,074	11,319
Impairment losses recognised in profit or loss in respect of:										
Property, plant and equipment	-	-	-	-	-	-	-	1,883	-	1,883
Intangible assets	-	-	36,858	-	-	-	-	-	36,858	-
Trade receivables	-	-	30,000	-	-	-	-	-	30,000	-

Note:

Capital expenditure consists of additions of property, plant and equipment.

5. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2016 HK$'000	2015 HK$'000
Hong Kong	**298,623**	276,247
Mainland China	**11,223**	10,562
	309,846	286,809

(b) Non-current assets

	2016 HK$'000	2015 HK$'000
Hong Kong	**7,043**	48,497
Mainland China	**27,015**	29,803
	34,058	78,300

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

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2016 HK$'000	2015 HK$'000
Customer A	**71,679**	57,196
Customer B	**76,443**	63,826

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 is as follows:

	Notes	2016 HK$'000	2015 HK$'000
Revenue			
Cleaning and related service fee income		291,123	251,329
Television screen broadcast business income		7,500	24,918
Medical waste treatment income		11,154	10,394
Waste treatment income		69	168
		309,846	286,809
Other income and gains			
Interest income		1,105	473
Amortisation of deferred income*	24	460	473
Compensation for liquidated damages under remedial agreement	18	16,800	–
Management fee received		60	60
Sundry income		2,643	571
		21,068	1,577

* 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	2016 HK$'000	2015 HK$'000
Cost of services rendered*		259,409	221,780
Auditors' remuneration			
– Audit service		1,010	980
– Non-audit service		15	15
Minimum lease payments under operating lease in respect of land and buildings		3,834	1,947
Depreciation on owned property, plant and equipment	13	2,516	2,995
Depreciation on leased property, plant and equipment	13	446	185
Amortisation of intangible assets	15	8,112	8,139
Employee benefit expenses (including directors' remuneration (Note 9))			
Wages, salaries and other benefits		214,684	192,554
Retirement benefit scheme contributions		9,072	8,387
Provision for long service payments	23	938	768
Provision for untaken paid leave		1,481	1,459
Total employee benefit expenses		226,175	203,168
Impairment of property, plant and equipment	13	–	1,883
Impairment of intangible assets	15	36,858	–
Impairment of trade receivables	18	30,000	–
Net loss on disposal of property, plant and equipment		–	4,536

* The cost of services rendered included an employee benefit expenses of approximately HK$199,354,000 (2015: HK$179,703,000) incurred in the provision of services which has been included in the employee benefit expenses above.

8. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Interest on a bank overdraft	–	3
Interest on finance leases	46	39
	46	42

9. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Main Board Listing Rules and CO is as follows:

Name of Directors

	Fees		Salaries and allowances		Retirement benefit scheme contributions		Total	
	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000
Executive Directors								
Mr. Ju Mengjun *(Co-chairman)*	–	–	–	–	–	–	–	–
Dr. Lo Kou Hong *(Co-chairman)*	–	–	1,443	1,398	87	83	1,530	1,481
Mr. Yu Guang	–	–	240	240	–	–	240	240
Mr. David Wei Ji	–	–	2,190	2,190	18	18	2,208	2,208
Mr. Chang Yong (Resigned on 6 August 2015)	–	–	–	–	–	–	–	–
Mr. Yan Liang	–	–	–	–	–	–	–	–
Mr. Wen Xin Nian (Appointed on 21 August 2015)	–	–	–	–	–	–	–	–
Independent Non-executive Directors								
Mr. Xu Rong (Resigned on 3 September 2014)	–	50	–	–	–	–	–	50
Mr. Tang Binfeng (Removed on 30 September 2014)	–	60	–	–	–	–	–	60
Mr. Wang Qi	240	240	–	–	–	–	240	240
Mr. Tsang Chi Hon	480	480	–	–	–	–	480	480
Mr. Ho Hin Yip (Appointed on 29 December 2014)	480	120	–	–	–	–	480	120
	1,200	950	3,873	3,828	105	101	5,178	4,879

9. DIRECTORS' REMUNERATION (continued)

Name of Directors (continued)

No Directors waived or agreed to waive any remuneration during the year (2015: Nil). In additional, 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 (2015: 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 with effective from 20 December 2013.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2015: two) Directors, details of whose remuneration are set out in Note 9 above. Details of the remuneration of the remaining three (2015: three) non-Directors highest paid employee for the year are as follows:

	2016 HK$'000	2015 HK$'000
Salaries and allowances	**4,502**	4,100
Retirement benefit scheme contributions	**235**	266
	4,737	4,366

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

	Number of employees	
	2016	2015
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**2**	2
HK$1,500,001 to HK$2,000,000	**1**	1
	3	3

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 (2015: Nil). No five highest paid individuals waived or agreed to waive any remuneration during the year (2015: Nil).

11. INCOME TAX EXPENSES

	2016 HK$'000	2015 HK$'000
Current tax		
Hong Kong	–	–
Mainland China	351	447
Over-provision in previous year	(36)	–
Tax charge for the year	315	447

Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profit for the year. No provision for Hong Kong Profits Tax has been made as the Group had no chargeable profit for the years ended 31 March 2016 and 2015.

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 2016 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	
	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000
(Loss)/profit before tax	(62,688)	(2,146)	2,882	760	(59,806)	(1,386)
Tax at the statutory tax rate	(10,344)	(354)	720	190	(9,624)	(164)
Income not subject to tax	(195)	(132)	(708)	(732)	(903)	(864)
Expenses not deductible for tax	1,512	2,326	478	1,131	1,990	3,457
Tax losses utilised from previous years	(1,666)	(3,271)	(261)	(265)	(1,927)	(3,536)
Tax losses not recognised	10,693	1,431	122	123	10,815	1,554
Over-provision in previous year	–	–	(36)	–	(36)	–
Tax at the Group's effective rate	–	–	315	447	315	447

11. INCOME TAX EXPENSES (continued)

The Group has tax losses arising in Hong Kong of approximately HK$112,521,000 (2015: HK$61,314,000) 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$44,015,000 (2015: HK$44,472,000), that are available for five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses because it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

12. LOSS PER SHARE

Basic and diluted loss per share

The calculation of the basic and diluted 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 1,367,486,040 (2015: 1,335,689,876) in issue during the year.

The diluted loss per share is the same as the basis loss per share for the year ended 31 March 2016 and 2015 because the Company's share option outstanding during these years were anti-dilutive.

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

	2016 **HK$'000**	2015 HK$'000
Loss		
Loss attributable to owners of the Company used in the basic and diluted loss per share calculation:	**(60,248)**	(1,622)

	Number of shares **2016**	2015
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	**1,367,486,040**	1,335,689,876

13. PROPERTY, PLANT AND EQUIPMENT

	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 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 and 1 April 2015	54,834	5,202	5,047	4,838	74,778	144,699
Additions	–	2,421	823	910	1,051	5,205
Disposals	–	(428)	(59)	–	(413)	(900)
Exchange realignment	(2,840)	–	(41)	(129)	(3,484)	(6,494)
At 31 March 2016	**51,994**	**7,195**	**5,770**	**5,619**	**71,932**	**142,510**
Accumulated depreciation and impairment						
At 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 and 1 April 2015	37,579	5,081	4,308	2,671	73,295	122,934
Charge for the year	879	503	295	591	694	2,962
Written back on disposals	–	(427)	(53)	–	(395)	(875)
Impairment for the year	–	–	–	–	–	–
Exchange realignment	(1,965)	–	(37)	(101)	(3,467)	(5,570)
At 31 March 2016	**36,493**	**5,157**	**4,513**	**3,161**	**70,127**	**119,451**
Carrying amount						
At 31 March 2016	**15,501**	**2,038**	**1,257**	**2,458**	**1,805**	**23,059**
At 31 March 2015	17,255	121	739	2,167	1,483	21,765

At 31 March 2016 and 2015, 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 2016 and 2015.

As at 31 March 2016, certain furniture and equipment and motor vehicles with carrying amount of approximately HK$1,315,000 (2015: HK$1,690,000) were under finance leases.

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 during the year ended 31 March 2015. 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.

14. GOODWILL

	HK$'000
Cost	
At 1 April 2014	39,185
Disposal of subsidiaries during the year	–
At 31 March 2015, 1 April 2015 and 31 March 2016	39,185
Accumulated impairment	
At 1 April 2014	39,185
Impairment loss recognised during the year	–
At 31 March 2015, 1 April 2015 and 31 March 2016	39,185
Carrying amount	
At 31 March 2016	**–**
At 31 March 2015	–

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.

15. INTANGIBLE ASSETS

	Medical waste treatment HK$'000	Free right HK$'000	Total HK$'000
Cost			
At 1 April 2014	35,026	151,286	186,312
Additions	106	–	106
Exchange realignment	151	–	151
At 31 March 2015 and 1 April 2015	35,283	151,286	186,569
Additions	–	–	–
Exchange realignment	(1,828)	–	(1,828)
At 31 March 2016	**33,455**	**151,286**	**184,741**
Accumulated amortisation and impairment			
At 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 and 1 April 2015	23,443	107,295	130,738
Amortisation during the year	979	7,133	8,112
Impairment for the year	–	36,858	36,858
Exchange realignment	(1,236)	–	(1,236)
At 31 March 2016	**23,186**	**151,286**	**174,472**
Carrying amount			
At 31 March 2016	**10,269**	**–**	**10,269**
At 31 March 2015	11,840	43,991	55,831

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

15. INTANGIBLE ASSETS (continued)

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"). Subsequently, 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 31 March 2016, the aggregated revenue generated from Free right for the two financial years ended 31 March 2016 are approximately HK$30,000,000, the directors of the Company estimated the 12% of the shortfall of the Further Undertaking was approximately HK$16,800,000, which was classified as other receivable as disclose in Note 18.

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 2016 and 2015 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 5% (2015: 3%) 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 15.54% (2015: 19.1%). 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 2016 and 2015.

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.

15. INTANGIBLE ASSETS (continued)

Free right:

The valuation of the Free right is based on the value-in-use method, which is the present value of the future cash flows expected to be derived from an asset of CGU. Due to i) significant loss of the television screen broadcast business segments; ii) downturn of global economic growth; iii) uncertainty of economic recovery; iv) intense competition of advertising industry; v) increasing in pricing disparity; and vi) unable to acquire new customer and existing customer decide not to renew the contract, the Directors of the Company is expected that the Free right will not generate significant and sustainable advertising revenue in the future. As of right now, the Directors of the Company does not have a plan to develop the business to have a material impact in projected revenue. As a result, an impairment loss of approximately HK$36,858,000 was recognised in the profit or loss determined the Free right's value in use at nil with reference to a valuation report prepared by an independent professional valuer during the year ended 31 March 2016.

The estimates of the recoverable amount of the Free right as at 31 March 2015 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% by reference to the valuation performed by an independent professional valuer. Cash flows beyond the five-year period had been extrapolated through to the end of the fiscal year in 2021, which is the end of contractual period of Cooperation Agreement, to cover the remaining useful lives of related non-current assets.

16. INVENTORIES

	2016 HK$'000	2015 HK$'000
Finished goods	**308**	225

17. INVESTMENT IN AN ASSOCIATE

	2016 HK$'000	2015 HK$'000
Unlisted share, at cost	**4**	4
Share of net assets	**726**	700
	730	704
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.

Reconciliation of the above summarised financial information to the carrying amount of the interests in an associate recognised in the consolidated financial statements:

	Note	2016 HK$'000	2015 HK$'000
Net assets of the associate	17(b)	**1,826**	1,760
Proportion of the Group's ownership interest		**40%**	40%
Share of net assets of the associate		**730**	704
Net profit of the associate	17(b)	**66**	222
Proportion of the Group's ownership interest		**40%**	40%
Share of net results of the associate		**26**	89

17. INVESTMENT IN AN ASSOCIATE (continued)

(a) 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

(b) The following is summary of aggregate amounts of assets, liabilities, revenue, and results of the Group's associate:

	2016 HK$'000	2015 HK$'000
Assets	**2,365**	2,612
Liabilities	**(539)**	(852)
Net assets	**1,826**	1,760

	2016 HK$'000	2015 HK$'000
Revenue	**1,137**	1,640
Other revenue and gain	**107**	183
Profit	**66**	222

18. TRADE RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade receivables	**75,551**	60,588
Less: Impairment loss recognised on trade receivables	**(30,000)**	–
	45,551	60,588

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

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.

Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. At the end of the reporting period, an impairment loss of approximately HK$30,000,000 (2015: Nil) was recognised on trade receivables.

	2016 HK$'000	2015 HK$'000
Balance at the beginning of the year	**–**	–
Impairment loss recognised on trade receivables (Note)	**30,000**	–
Amount written off as uncollectible	**–**	–
Balance at the end of the year	**30,000**	–

Note:

During the year ended 31 March 2016, an impairment loss of approximately HK$30,000,000 was recognised in the consolidated statement of profit or loss and other comprehensive income. The impaired receivable was related to a customer who was default in payment for the outstanding balance. The Group has taken the legal means to pursue outstanding balance and the Directors of the Company expected the outstanding balance may not be recovered and therefore provision for impairment was provided.

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

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:

	2016 **HK$'000**	2015 HK$'000
Within 30 days	**26,066**	22,195
31 to 60 days	**14,325**	10,320
61 to 90 days	**4,192**	12,369
91 to 120 days	**429**	691
Over 120 days	**539**	15,013
	45,551	60,588

Included in the Group's trade receivables balances are debtors with aggregate carrying amount of approximately HK$968,000 (2015: HK$15,704,000) which are past due but not impaired 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.

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

	2016 **HK$'000**	2015 HK$'000
Overdue by:		
1 to 30 days	**429**	691
Over 30 days	**539**	15,013
	968	15,704

	2016 **HK$'000**	2015 HK$'000
Prepayments	**4,589**	7,198
Deposits	**4,772**	4,734
Other receivables (Note)	**37,440**	19,867
	46,801	31,799

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

Note:

At 31 March 2016, included in other receivables were a loan receivable amount to HK$18,000,000 (2015: HK$18,000,000) and compensation for liquidated damages under remedial agreement amount to HK$16,800,000 (2015: Nil). The loan receivable was advanced to a company not connected to the Group and is unsecured and recoverable on demand. The loan receivable is charged at an interest rate of 6% per annum and the repayment date of the loan was further extended from 24 August 2015 to 23 August 2016. The compensation for liquidated damages under remedial agreement was a liquidated damages from APRB, which is our substantial shareholder and a connected party of the Company, under the Further Undertaking of the Cooperation Agreement (Note 15).

19. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	2016 **HK$'000**	2015 HK$'000
Cash and bank balances	**55,690**	62,724
Time deposits	**2,079**	13,140
	57,769	75,864
Less: Pledged short-term time deposits for banking facilities	**(2,025)**	(13,086)
Cash and cash equivalents	**55,744**	62,778

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$4,509,000 (2015: HK$3,559,000). 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$2,025,000 (2015: HK$13,086,000).

20. 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:

	2016 **HK$'000**	2015 HK$'000
Within 30 days	**5,309**	3,669
31 to 60 days	**76**	1,326
61 to 90 days	**60**	66
Over 90 days	**469**	129
	5,914	5,190

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

21. OTHER PAYABLES AND ACCRUED LIABILITIES

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

	2016 **HK$'000**	2015 HK$'000
Other payables	**10,245**	6,755
Accrued liabilities (Note)	**22,009**	24,504
	32,254	31,259

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

22. FINANCE LEASE PAYABLES

The Group leases certain of its plant and machinery and motor vehicles for its business. These leases are classified as finance leases and have remaining lease terms 2 to 3 years (2015: from 3 to 4 years).

At 31 March 2016 and 2015, the total future minimum lease payments under finance leases and their present values are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable:				
Within one year	**404**	404	**371**	359
In the second year	**404**	404	**384**	371
In the third to fifth years, inclusive	**462**	867	**454**	838
Total minimum finance lease payments	**1,270**	1,675	**1,209**	1,568
Future finance charges	**(61)**	(107)		
Total net finance lease payables	**1,209**	1,568		
Portion classified as current liabilities	**(371)**	(359)		
Non-current portion	**838**	1,209		

23. PROVISION FOR LONG SERVICE PAYMENTS

	Note	**2016** **HK$'000**	2015 HK$'000
At the beginning of the year		**3,058**	2,290
Provision for long service payments, net	7	**938**	768
Amounts utilised during the year		**(146)**	–
At the end of the year		**3,850**	3,058

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.

24. DEFERRED INCOME

	2016 HK$'000	2015 HK$'000
Cost		
At 1 April	7,714	7,681
Exchange realignment	(400)	33
At 31 March	7,314	7,714
Accumulated amortisation		
At 1 April	2,092	1,610
Amortisation during the year (Note 6)	460	473
Exchange realignment	(118)	9
At 31 March	2,434	2,092
Net carrying amount	4,880	5,622

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.

25. SHARE CAPITAL

	2016 HK$'000	2015 HK$'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 (2015: 1,367,486,040) ordinary shares of HK$0.01 each	13,675	13,675

25. SHARE CAPITAL (continued)

A summary of the transactions during the year with reference to the below movements in the Company's issued ordinary share capital is as 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 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 and 1 April 2015	1,367,486,040	13,675	469,527	17,313	500,515
Lapsed of share options	–	–	–	(17,313)	(17,313)
At 31 March 2016	**1,367,486,040**	**13,675**	**469,527**	**–**	**483,202**

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.

Employee share options scheme

During the year ended 31 March 2016, all share options were lapsed and there were no share option under the share option scheme as at 31 March 2016.

26. RESERVES

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.

27. 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$16,824,000 (2015: HK$10,649,000) 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$6,686,000 as at 31 March 2016 (2015: HK$5,522,000), 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$3,850,000 (2015: HK$3,058,000) in respect of such payments has been made in the consolidated statement of financial position as at 31 March 2016.

(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 2016 and 2015.

28. 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 2016 and 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016 **HK$'000**	2015 HK$'000
Within one year	**3,832**	2,873
In the second to fifth years, inclusive	**4,009**	4,104
	7,841	6,977

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

	2016 HK$'000	2015 HK$'000
Management fee income from a related company (Note)	**60**	60

Note:

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.

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.

Other receivables

As at 31 March 2016, included in other receivables was a compensation for liquidated damages under remedial agrement from APRB amount to HK$ 16,800,000, which is our substantial shareholder and a connected party of the Company.

Loans from a director

As at 31 March 2016, the loans from a director amounted to approximately HK$6,417,000 (2015: HK$9,297,000). The loans are unsecured, interest-free and not repayable within the next twelve months except for a loan of approximately HK$ Nil (2015: HK$5,564,000) which is repayable within the next twelve months.

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

	2016 HK$'000	2015 HK$'000
Short-term employee benefits	**3,873**	3,828
Post-employment benefits	**105**	101
Total compensation paid to key management personnel	**3,978**	3,929

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

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2016 HK$'000	2015 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries		81,150	124,990
Intangible assets		–	43,991
Total non-current assets		81,150	168,981
Current assets			
Amount due from a subsidiary		800	800
Prepayments, deposits and other receivables		17,364	655
Cash and cash equivalents		144	146
Total current assets		18,308	1,601
LIABILITIES			
Current liability			
Other payables and accrued liabilities		1,171	1,205
Net current assets		17,137	396
Total assets less current liabilities		98,287	169,377
Net assets		98,287	169,377
CAPITAL AND RESERVES			
Share capital	25	13,675	13,675
Reserves	31	84,612	155,702
Total equity		98,287	169,377

Approved by the Board on 22 June 2016 and signed on its behalf by:

Ju Mengjun
Co-chairman

Lo Kou Hong
Co-chairman

31. RESERVES OF THE COMPANY

A summary of the Company's reserves is as follows:

	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 2014	450,896	254	17,313	59,511	(417,697)	110,277
Profit for the year	–	–	–	–	26,794	26,794
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 and 1 April 2015	469,527	254	17,313	59,511	(390,903)	155,702
Loss for the year	–	–	–	–	(71,090)	(71,090)
Total Comprehensive loss for the year	–	–	–	–	(71,090)	(71,090)
Lapsed of share options	–	–	(17,313)	–	17,313	–
At 31 March 2016	**469,527**	**254**	**–**	**59,511**	**(444,680)**	**84,612**

32. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries are as follows:

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

32. PARTICULARS OF SUBSIDIARIES (continued)

Particulars of the Company's 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
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
Ally Thrive Investments Limited	British Virgin Islands/Hong Kong	US$100 Ordinary	100	–	Dormant
Xinhua News Media Limited	British Virgin Islands/Hong Kong	US$1 Ordinary	100	–	Provision of television screen broadcast business

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

33. 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:

	2016 HK$'000	2015 HK$'000
Financial assets		
Loans and receivables		
Amount due from an associate	**240**	240
Trade receivables	**45,551**	60,588
Financial assets included in prepayments, deposits and other receivables	**41,127**	23,449
Pledged time deposits	**2,025**	13,086
Cash and cash equivalents	**55,744**	62,778

	2016 HK$'000	2015 HK$'000
Financial liabilities		
Financial liabilities at amortised cost		
Trade payables	**5,914**	5,190
Financial liabilities included in other payables and accrued liabilities	**11,733**	12,466
Finance lease payables	**1,209**	1,568
Loans from a director	**6,417**	9,297

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

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

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

Foreign currency risk

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

Credit risk

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

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

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer. At the end of the reporting period, the Group has certain concentrations of credit risk as 32% and 70% 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 18 to the consolidated financial statements.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

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

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

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

	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
2016					
Trade payables	**–**	**5,815**	**–**	**–**	**5,815**
Financial liabilities included in other payables and accrued liabilities	**11,733**	**–**	**–**	**–**	**11,733**
Finance lease payables	**–**	**101**	**303**	**867**	**1,271**
Loans from a director	**–**	**–**	**–**	**6,417**	**6,417**
	11,733	**5,916**	**303**	**7,284**	**25,236**
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

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The Group's primary objectives when managing capital 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 2016 and 2015.

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

	2016 **HK$'000**	2015 HK$'000
Current assets	**150,669**	168,716
Current liabilities	**(38,952)**	(42,766)
Net current assets	**111,717**	125,950
Current ratio	**3.9**	3.9

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.

The Company does not have any financial asset and financial liability which is measured at fair value as at 31 March 2016 and 2015.

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

35. MATERIAL EVENTS AFTER THE REPORTING PERIOD

An associate, Faber China Limited was deregistrated on 25 May 2016 and the effect of the deregistration was immaterial. Other than above and elsewhere disclosed in the notes to the consolidated financial statements, there was no significant event took place for the Group subsequent to 31 March 2016.

36. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 22 June 2016.

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.

	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000
CONTINUING OPERATIONS					
REVENUE	**309,846**	286,809	227,544	201,167	193,594
LOSS BEFORE TAX	**(59,806)**	(1,386)	(52,480)	(56,747)	(113,869)
INCOME TAX EXPENSE	**(315)**	(447)	(38)	–	–
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	**(60,121)**	(1,833)	(52,518)	(56,747)	(113,869)
DISCONTINUED OPERATION					
(LOSS)/GAIN FOR THE YEAR FROM DISCONTINUED OPERATION	**–**	–	(20,324)	652	–
LOSS FOR THE YEAR	**(60,121)**	(1,833)	(72,842)	(56,095)	(113,869)
ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY	**(60,248)**	(1,622)	(70,588)	(56,569)	(90,040)
NON-CONTROLLING INTERESTS	**127**	(211)	(2,254)	474	(23,829)
	(60,121)	(1,833)	(72,842)	(56,095)	(113,869)
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**184,727**	247,016	228,196	317,769	319,330
TOTAL LIABILITIES	**(54,937)**	(56,388)	(55,073)	(56,801)	(48,193)
NON-CONTROLLING INTERESTS	**3,808**	3,574	3,387	(14,015)	3,632
	133,598	194,202	176,510	246,953	274,769