



XINHUA NEWS MEDIA HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

INTERIM REPORT 2011/2012

STOCK CODE : 309



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ju Mengjun (*Co-Chairman*)

Lo Kou Hong (*Co-Chairman*)

Xu Zugen

Mao Hongcheng (*General Manager*)

Chang Loong Cheong

Meng Jin

Shi Guoxiong

Zhou Guanghe

Non-executive Director

Xu Rong

Independent Non-executive Directors

Xu Zhijuan

Tang Binfeng

Wang Qi

AUDIT COMMITTEE

Xu Zhijuan (*Chairman*)

Tang Binfeng

Wang Qi

REMUNERATION COMMITTEE

Xu Zhijuan (*Chairman*)

Tang Binfeng

Wang Qi

Lo Kou Hong

COMPANY SECRETARY

Kwong Yin Ping, Yvonne

AUDITORS

Ernst & Young

SOLICITORS

King & Wood

REGISTERED OFFICE

P.O. Box 309

Ugland House

Grand Cayman

KY1-1104

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

3/F Caltex House

258 Hennessy Road

Wanchai

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Butterfield Fulcrum Group (Cayman) Limited

Butterfield House

68 Fort Street

P.O. Box 609

Grand Cayman KY1-1107

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited

26th Floor

Tesbury Centre

28 Queen's Road East

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

RESULTS

The board of directors (the "Board") of Xinhua News Media Holdings Limited (the "Company") announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2011. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the six months ended 30 September	
	Notes	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
REVENUE	3	90,314	85,696
Cost of sales of fertilisers		–	(6,199)
Other income and gains	4	793	159
Staff costs		(79,775)	(73,472)
Depreciation and amortisation		(10,991)	(1,562)
Impairment of property, plant and equipment		(11,264)	–
Other operating expenses		(24,301)	(18,589)
Finance costs	5	(89)	(11)
Share of profit of an associate		45	79
LOSS BEFORE TAX	6	(35,268)	(13,899)
Income tax expense	7	–	–
LOSS FOR THE PERIOD		(35,268)	(13,899)
Other comprehensive income:			
Exchange differences on translation of foreign operations and other comprehensive income for the period, net of tax		3,070	2,767
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(32,198)	(11,132)
Loss attributable to:			
Equity holders of the parent		(33,103)	(11,035)
Non-controlling interests		(2,165)	(2,864)
		(35,268)	(13,899)
Total comprehensive loss attributable to:			
Equity holders of the parent		(31,051)	(9,177)
Non-controlling interests		(1,147)	(1,955)
		(32,198)	(11,132)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted			
– For loss for the period		(HK3.02 cents)	(HK1.44 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		86,455	94,323
Goodwill		—	—
Intangible assets	10	160,289	14,217
Deposit paid for acquisition of plant and equipment		9,948	4,409
Investment in an associate		191	145
Total non-current assets		256,883	113,094
CURRENT ASSETS			
Inventories		173	111
Due from an associate	20(b)	1,348	1,320
Trade receivables	11	27,575	23,869
Prepayments, deposits and other receivables		5,927	2,418
Pledged time deposits	12	14,036	14,029
Cash and cash equivalents		88,913	87,290
Total current assets		137,972	129,037
CURRENT LIABILITIES			
Trade payables	13	3,239	2,216
Other payables and accrued liabilities		24,114	27,253
Finance lease payable	14	46	43
Tax payable		45	283
Total current liabilities		27,444	29,795
NET CURRENT ASSETS		110,528	99,242
TOTAL ASSETS LESS CURRENT LIABILITIES		367,411	212,336
NON-CURRENT LIABILITIES			
Loans from a director	20(b)	9,076	4,800
Finance lease payable	14	133	157
Provision for long service payments		1,703	592
Deferred income		7,091	7,140
Total non-current liabilities		18,003	12,689
Net assets		349,408	199,647
EQUITY			
Equity attributable to owners of the parent			
Issued capital		11,669	9,063
Reserves	15	319,844	171,542
		331,513	180,605
Non-controlling interests		17,895	19,042
Total equity		349,408	199,647

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 September 2011

	Attributable to equity holders of the parent											
	Issued share capital HK\$'000 (note 15)	Share premium account HK\$'000 (note 15)	Capital redemption reserve HK\$'000	Merger reserves HK\$'000	Share option reserve HK\$'000 (note 15)	Warrant reserve HK\$'000 (note 15)	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Exchange fluctuation reserve HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2010 (audited)	7,667	169,290	254	47,063	15,658	-	26,758	(123,418)	6,245	149,517	28,922	178,439
Loss for the period	-	-	-	-	-	-	-	(11,035)	-	(11,035)	(2,864)	(13,899)
Other comprehensive income for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	1,858	1,858	909	2,767
Total comprehensive loss for the period	-	-	-	-	-	-	-	(11,035)	1,858	(9,177)	(1,955)	(11,132)
Issue of warrants	-	-	-	-	-	2,265	-	-	-	2,265	-	2,265
Equity-settled share option arrangements	-	-	-	-	545	-	-	-	-	545	-	545
At 30 September 2010 (Unaudited)	7,667	169,290	254	47,063	16,203	2,265	26,758	(134,453)	8,103	143,150	26,967	170,117
At 1 April 2011 (Audited)	9,063	245,147	254	47,063	16,870	936	26,758	(175,227)	9,741	180,605	19,042	199,647
Loss for the period	-	-	-	-	-	-	-	(33,103)	-	(33,103)	(2,165)	(35,268)
Other comprehensive income for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	2,052	2,052	1,018	3,070
Total comprehensive loss for the period	-	-	-	-	-	-	-	(33,103)	2,052	(31,051)	(1,147)	(32,198)
Issue of warrants	-	-	-	-	-	459	-	-	-	459	-	459
Issue of shares	2,606	180,809	-	-	-	-	-	-	-	183,415	-	183,415
Share issue expenses	-	(2,138)	-	-	-	-	-	-	-	(2,138)	-	(2,138)
Equity-settled share option arrangements	-	-	-	-	223	-	-	-	-	223	-	223
At 30 September 2011 (Unaudited)	11,669	423,818*	254*	47,063*	17,093*	1,395*	26,758*	(208,330)*	11,793*	331,513	17,895	349,408

* These reserve accounts comprise the consolidated reserves of HK\$319,844,000 in the condensed consolidated statement of financial position as at 30 September 2011.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	For the six months ended	
		2011	2010
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		(21,612)	(8,471)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	16(i),(ii)	(11,316)	(7,083)
NET CASH INFLOW FROM FINANCING ACTIVITIES		34,458	2,235
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,530	(13,319)
Cash and cash equivalents at beginning of period		87,290	35,810
Effect of foreign exchange rate changes, net		93	68
CASH AND CASH EQUIVALENTS AT END OF PERIOD		88,913	22,559
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		18,820	22,485
Non-pledged time deposits with original maturity of less than three months when acquired		70,093	74
		88,913	22,559

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements (“Financial Statements”) are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Main Board Listing Rules”).

The accounting policies and the basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial statements are the same as those used in the Group’s annual financial statements for the year ended 31 March 2011, except for the adoption of certain new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), (which include all HKFRSs, HKASs and Interpretations) that are adopted for the first time for the current period’s Financial Statements as disclosed in note 2 below.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs issued by the HKICPA for the first time for these Financial Statements. Except for certain cases giving rise to new and revised accounting policies, presentation and additional disclosures, the adoption of these new and revised HKFRSs has had no significant effect on these Financial Statements. Accordingly, no prior period adjustment has been recognised.

HKFRS 1 Amendment	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i>
HKAS 24 (Revised)	<i>Related Party Disclosures</i>
HKAS 32 Amendment	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Classification of Rights Issues</i>
HKFRS 7 Amendment	Amendment to HKFRS 7 <i>Financial Instruments: Disclosures Transfers of Financial Assets</i>
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>

Apart from the above, the HKICPA has issued Improvements to HKFRSs 2010 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

2.1 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, which are applicable to the Group, that have been issued but are not yet effective, in these financial statements:

HKAS 1 (Amendments)	<i>Presentation of Items of Other Comprehensive Income²</i>
HKAS 12 (Amendments)	<i>Amendments to HKAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets¹</i>
HKAS 19 (as revised in 2011)	<i>Employee Benefits³</i>
HKAS 27 (as revised in 2011)	<i>Separate Financial Statements³</i>
HKAS 28 (as revised in 2011)	<i>Investments in Associates and Joint Ventures³</i>
HKFRS 9	<i>Financial Instruments³</i>
HKFRS 10	<i>Consolidated Financial Statements³</i>
HKFRS 11	<i>Joint Arrangements³</i>
HKFRS 12	<i>Disclosure of Interests in Other Entities³</i>
HKFRS 13	<i>Fair Value Measurement³</i>

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

² Effective for annual periods beginning on or after 1 July 2012

³ Effective for annual periods beginning on or after 1 January 2013

3. OPERATING SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately according to the nature of their operations and the services they provide. Each of the Group's operating segments represents a strategic business unit that offers services which are subject to risks and returns that are different from those of the other operating segments. The following table presents revenue and results for the Group's operating segments for the six months ended 30 September 2011 and 2010.

	Cleaning and related services		Medical waste treatment		Waste treatment		TV screen broadcast business		Total	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Segment revenue:										
Service income from external customers	87,434	82,029	2,830	3,514	-	153	50	-	90,314	85,696
Other income and gains	171	102	337	-	146	3	-	-	654	105
Total	87,605	82,131	3,167	3,514	146	156	50	-	90,968	85,801
Segment results	(3,087)	184	(103)	(842)	(6,784)	(8,470)	(7,764)	-	(17,738)	(9,128)
Reconciliation:										
Interest income and unallocated gains									139	54
Unallocated expenses									(6,361)	(4,893)
Impairment loss of property, plant and equipment									(11,264)	-
Finance costs									(89)	(11)
Share of profit of an associate									45	79
Loss before tax									(35,268)	(13,899)

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

4. OTHER INCOME AND GAINS

	For the six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Management fee received	80	80
Bank interest income	39	45
Amortisation of government grant	229	–
Reversal of impairment on an interest in an associate	–	4
Reversal of impairment of an amount due from an associate	–	5
Sundry income	445	25
	793	159

5. FINANCE COSTS

	For the six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on loans from a director	75	–
Interest on a finance lease	8	11
Interest on bank overdraft	6	–
	89	11

6. LOSS BEFORE TAX

This is arrived at after charging:

	For the six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold*	–	6,199
Cost of services rendered	81,357	74,123
Depreciation	5,045	4,644
Amortisation of intangible assets	5,946	709
Impairment of inventories	–	981
	92,348	86,656

* The cost of inventories sold for the period ended 30 September 2010 included an amount of depreciation of HK\$3,791,000. Such amount has also been included in the respective expense item disclosed above.

7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2010: Nil). No corporate income tax has been provided in Mainland China as the Group did not generate any assessable profits arising in Mainland China during the period (2010: Nil).

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Basic loss per share

The calculation of basic loss per share is based on the loss for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the period.

No adjustment has been made to the basic loss per share amounts presented for the years ended 30 September 2011 and 2010 in respect of a dilution as the impact of the share options and warrants outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

The calculation of basic loss per share is based on:

	For the six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss		
Loss attributable to ordinary equity holders of the parent used in the basic loss per share calculation	(33,103)	(11,035)
	Number of shares	
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	1,096,697,427	766,718,000

Diluted loss per share

Diluted loss per share amounts for the periods ended 30 September 2011 and 2010 have not been disclosed, as the share option and warrants outstanding during the periods had an anti-dilutive effect on the basic loss per share for these periods.

9. INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend to shareholders for the six months ended 30 September 2011 (2010: Nil).

10. ADDITIONS TO INTANGIBLE ASSETS

During the period, the Group incurred approximately HK\$151,286,000 (2010: HK\$6,328,000) on the acquisition of intangible assets, which is related to the granting of the free right by Xinhua News Agency Asia Pacific Regional Bureau Limited (“Asia-Pacific Regional Bureau”) for the development of the television screen broadcast business (“Free Right”) for a period of 10 years. The consideration of the Free Right was the issue of 214,681,040 new ordinary shares of HK\$0.01 each of the Company at a price of HK\$0.7047 each (“Consideration Shares”). This constitutes a very substantial acquisition and details of which are described in the Company circular dated 11 March 2011.

11. TRADE RECEIVABLES

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. In view of the aforementioned and the fact that the Group’s trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

At the end of the reporting period, the aged analysis of trade receivables, based on invoice date, is as follows:

	30 September	31 March
	2011	2011
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Within 30 days	15,613	13,700
31 – 60 days	7,363	5,992
61 – 90 days	4,152	3,798
91 – 120 days	298	133
Over 120 days	149	246
	27,575	23,869

12. PLEDGED TIME DEPOSITS

The Group’s banking facilities amounting to HK\$14,000,000 (31 March 2011: HK\$14,000,000), of which no banking facilities (31 March 2011: Nil) had been utilised as at the end of the reporting period, are secured by the pledge of certain of the Group’s time deposits amounting to HK\$14,036,000 (31 March 2011: HK\$14,029,000) and a corporate guarantee to the extent of HK\$18,000,000 (31 March 2011: HK\$18,000,000).

13. TRADE PAYABLES

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

	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
Within 30 days	2,779	2,014
31 – 60 days	88	11
61 – 90 days	372	191
	3,239	2,216

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

14. FINANCE LEASE PAYABLE

The Group leases certain of its property, plant and equipment for its daily operation. The lease is classified as finance lease and has remaining lease term of 5 years.

As at 30 September 2011, the total minimum lease payments under finance lease payable was as follows:

	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
Amounts payable:		
Within one year	60	60
In the second year	60	60
In the third to fifth year, inclusive	90	120
Total minimum finance lease payments	210	240
Future finance charges	(31)	(40)
Total net finance lease payable	179	200
Portion classified as current liabilities	(46)	(43)
Non-current portion	133	157

15. SHARE CAPITAL

	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
Authorised: 2,000,000,000 (31 March 2011: 2,000,000,000) ordinary shares of HK\$0.01 each	<u>20,000</u>	<u>20,000</u>
Issued and fully paid: 1,166,899,040 (31 March 2011: 906,318,000) ordinary shares of HK\$0.01 each	<u>11,669</u>	<u>9,063</u>

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

Notes	Number of shares in issue	Issued capital (Unaudited) HK\$'000
Issued:		
At 1 April 2011	906,318,000	9,063
Placement of Consideration Shares (i)	214,681,040	2,147
Placement of new shares (ii)	<u>45,900,000</u>	<u>459</u>
At 30 September 2011	<u>1,166,899,040</u>	<u>11,669</u>

(i) On 22 November 2010, the Company entered into the cooperation agreement with Asia-Pacific Regional Bureau for the development of the television screen broadcast business ("Very Substantial Acquisition"). On 24 May 2011, the Company allotted and issued the Consideration Shares to Asia-Pacific Regional Bureau. In return, Asia-Pacific Regional Bureau granted the Free Right to the Company for a term of 10 years for the development of the television screen broadcast business. The issue of Consideration Shares did not result in any change of control of the Company.

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

15. SHARE CAPITAL *(continued)*

Employee share option scheme

As at 30 September 2011, there were 36,500,000 share options under the Share Option Scheme. During the six months ended 30 September 2011, no share options were lapsed. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 36,500,000 additional ordinary shares of the Company and additional share capital of HK\$365,000 and share premium of HK\$29,535,000 (before issue expenses).

At the date of approval of these condensed consolidated interim financial statements, the Company had 36,500,000 share options outstanding under the existing Share Option Scheme, which represented approximately 3.13% of the Company's shares in issue as at that date.

Warrants

On 26 August 2010, the Company and the placing agent entered into the first warrant placing agreement, pursuant to which the Company has conditionally agreed to place, through the placing agent on a best effort basis, a maximum of 151,000,000 unlisted warrants at the warrant issue price of HK\$0.015 per warrant. Each warrant entitles the holder thereof to subscribe for one ordinary share of HK\$0.01 each at a subscription price of HK\$0.51 per share, payable in cash and subject to adjustment, from the date of issue of the warrants to 7 March 2012.

During the year ended 31 March 2011, 109,000,000 shares of HK\$0.015 each were issued for cash at a subscription price of HK\$0.51 per share pursuant to the exercise of the Company's warrants for a total cash consideration, before related expenses, of HK\$55,590,000.

On 7 December 2010, the Company and the placing agent entered into the second warrant placing agreement, pursuant to which the Company has conditionally agreed to place, through the placing agent on a best efforts basis, a maximum of 76,500,000 unlisted warrants at the warrant issue price of HK\$0.01 per warrant. Each warrant entitles the holder thereof to subscribe for one ordinary share of HK\$0.01 each at a subscription price of HK\$0.7 per share, payable in cash and subject to adjustment, from the date of issue of the warrants to 17 September 2012.

During the year ended 31 March 2011, 30,600,000 warrants of HK\$0.01 each were issued pursuant to the second warrant placing agreement dated 7 December 2010 for a total cash consideration, before related expenses, of HK\$306,000.

On 11 April 2011, the Company and the placing agent entered into the third warrant placing agreement, pursuant to which the Company has conditionally agreed to place, through the placing agent on a best efforts basis, a maximum of 45,900,000 unlisted warrants at the warrant issue price of HK\$0.01 per warrant. Each warrant entitles the holder thereof to subscribe for one ordinary share of HK\$0.01 each at a subscription price of HK\$0.7 per share, payable in cash and subject to adjustment, from the date of issue of the warrants to the expiry, which is 18 months from the issue of the warrants.

On 3 May 2011, 45,900,000 warrants of HK\$0.01 each were issued pursuant to the warrant placing agreement dated 11 April 2011 for a total cash consideration, before related expenses, of HK\$459,000.

During the period, no warrants of the Company were exercised. As the end of the reporting period, the Company had 118,500,000 outstanding warrants.

16. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**Major non-cash transactions**

- (i) Included in the purchases of intangible assets in the investing activities during the period was an amount of HK\$151,286,000 related to the Free Right granted by Asia Pacific Regional Bureau for the development of the television screen broadcast business. The consideration of the Free Right was the issue of 214,681,040 new ordinary shares of the Company at a price of HK\$0.7047 each.
- (ii) Included in the purchases of items of property, plant and equipment in the investing activities during the period was an amount of HK\$4,409,000 which was transferred from deposit paid for the acquisition of plant and equipment in the prior year.

17. CONTINGENT LIABILITIES

At the end of the reporting period, the Group's contingent liabilities are as follows:

- (i) The Group has executed performance guarantees to the extent of an aggregate amount of HK\$3,093,000 (31 March 2011: HK\$1,157,000) in respect of certain services provided to various customers by the Group.
- (ii) 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\$3,264,000 as at 30 September 2011 (31 March 2011: HK\$1,016,000). The contingent liability has arisen because, at the end of the reporting period, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A provision of HK\$1,703,000 (31 March 2011: HK\$592,000) in respect of such payments has been made in the condensed consolidated statement of financial position as at 30 September 2011.
- (iii) 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 30 September 2011 and 31 March 2011.

18. OPERATING LEASE ARRANGEMENTS

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

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases due as follows:

	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
Within one year	5,213	675
In the second to fifth years, inclusive	2,496	505
	7,709	1,180

19. COMMITMENTS

In addition to the operating lease commitments detailed in note 18 above, the Group had the following capital expenditure commitments at the end of the reporting period:

	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
Contracted, but not provided for:		
Property, plant and equipment	4,755	2,799
Free Right	–	100,000
	4,755	102,799

20. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances disclosed elsewhere in these condensed consolidated interim financial statements, the Group had the following material transactions with related companies, of which certain directors of the Company are also the directors, during the period. These related companies are owned by a discretionary trust of which the beneficiaries included the family members of Dr. Lo Kou Hong.

	<i>Notes</i>	Six months ended 30 September 2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Management fee income from related companies	(i)	30	30
Interest income from an associate	(ii)	27	26
Interest expenses on loans from a director	(iii)	75	–
Rental expenses	(iv)	1,219	–
Building management fee	(v)	209	–

Notes:

- (i) The management fee income for the provision of accounting and administrative services and the sharing of office space and facilities with the Group was charged at a lump sum annually with reference to the actual costs incurred.
- (ii) The interest income received from an associate was charged at an interest rate of 5% per annum on the outstanding amount due from an associate.
- (iii) The loans from a director are charged at interest rates from 1% to 6.65% per annum on the outstanding loans due from a director.
- (iv) Rental expenses was charged in accordance with the terms mutually agreed between the Group and the associates of Asia-Pacific Regional Bureau.
- (v) Building management fee was charged in accordance with the terms mutually agreed between the Group and the associates of Asia-Pacific Regional Bureau.

20. RELATED PARTY TRANSACTIONS (continued)**(b) Outstanding balances with related parties:**

The amount due from an associate is unsecured, bears interest at a rate of 5% per annum and is repayable on or before 14 November 2011.

Except for a loan from a director of HK\$1,846,000 which is unsecured, interest-free and repayable on 29 September 2014, the remaining loans of HK\$7,230,000 are unsecured, interest-bearing from 1% to 6.65% per annum and repayable from 11 August 2014 to 13 June 2016.

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

	Six months ended	
	30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short term employee benefits	3,160	2,651
Post-employment benefits	193	210
Share-based payments	276	430
Total compensation paid to key management personnel	3,629	3,291

21. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the Board on 29 November 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Environment

The Hong Kong economy has recorded impressive growth since the beginning of 2011, well above the levels forecast by most economists. Financial services, trade, logistics and professional services continue to be our core sectors, which are fully supported by China's 12th 5-year Plan, underscoring the role of Hong Kong as the Mainland's international financial centre, trade and shipping centre as well as an offshore Renminbi ("RMB") centre.

The residential property market continued to soar due to low interest rates, excessive liquidity and perhaps unbalanced demand and supply, as some experts opined. There are indications that the government may bow to majority opinion in the community to resume the "Home Ownership Scheme".

The statutory minimum wage was implemented by the government on 1 May 2011. The service sector, however, is still encountering problems in recruiting and sustaining an adequate and stable workforce. A Work Incentive Transport Subsidy Scheme has been introduced by the government as an incentive for job seekers living in remote districts to encourage them to find jobs and to stay in employment.

The Hong Kong economy grew solidly during the past half year, despite uncertainties in the external environment. On the other hand, inflation rose further amid rising import prices as a result of RMB appreciation and the weak United States ("US") dollar. Stronger local cost pressures also contributed to the inflation.

After the financial tsunami, there is a perception of a shift of the economic centre of gravity from the west to the east. The sovereign debt issue in Europe seems unlikely to arrive at a root-and-branch solution though some encouraging signs have been observed of late. In the United States, indexes indicate that the economy is still fragile and a third round of quantitative easing could be launched in the near term.

Operating Results

The Group's turnover of HK\$90,314,000 for the six months ended 30 September 2011 represented a 5.4% increase as compared to HK\$85,696,000 for the same period last year. The loss for the Group for the six months ended 30 September 2011 was HK\$35,268,000 against a loss of HK\$13,899,000 for the same six-month period last year. The cleaning and related services business made a loss of HK\$3,087,000, the medical waste treatment business and the waste treatment business made losses of HK\$103,000 and HK\$6,784,000 respectively. The TV screen broadcast business made a loss of HK\$7,764,000. Corporate expenses and finance costs amounted to HK\$6,450,000.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review

In the past half year under review, the cleaning services business continued to be the core business of the Group. We succeeded in obtaining contracts ranging from 1 year to 3 years for a brand new grade-A commercial building in the heart of Central; a composite development comprising a shopping mall, a food court, office accommodation and car parking facilities in Causeway Bay facing the Victoria Park; 2 commercial complexes in Wanchai and a new development in the south district of Hong Kong Island – probably the first grade-A commercial building in the area. The Group also entered into a contract for a term of 2 years with a US-based international fashion and clothing retailer to provide initial and regular cleaning to their first flagship store in Hong Kong.

Several contracts in hand, including a contract for one of the biggest residential estates in Tseung Kwan O, were renewed or extended.

Sales of the stone maintenance products from our business partner in Italy continued to go up. In fact, the products, some of which were specially formulated and manufactured to suit the needs of Asia markets, are gradually being recognized and achieving brand recognition in the industry.

The two medical waste treatment centres of the Group in Siping City and Suihua City on the Mainland remained in smooth operation.

As explained in our previous annual report, the Shuyang Plant cannot operate at the moment for various reasons, including impure municipal solid wastes in Shuyang and disagreement with local government on how to resolve the matter. The Group is looking into alternative plans to resolve the situation.

The Group has demonstrated considerable progress since we entered into a contract with Asia-Pacific Regional Bureau and engaged in the news information broadcasting and LED advertising businesses in May 2011. In particular, the car-mount TVs on Ktt train have launched programmes since September 2011, and the programmes were updated weekly. The installation of television screens in the Departure Hall of Hung Hom Station has basically completed and is ready to operate after testing. In addition, the Group has commenced the advertising business and has achieved initial success. Currently, we have basically put in place the office equipments and personnel in Hong Kong and Shenzhen of PRC. We have also employed professional staff engaging in advertising sales business which contributes profit accordingly.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Financial Review

As at 30 September 2011, the Group's cash and cash equivalents and pledged time deposits totalled HK\$102,949,000 (31 March 2011: HK\$101,319,000) and its current ratio was 5.03 (31 March 2011: 4.33). The Group's net assets increased to HK\$349,408,000 as at 30 September 2011 (31 March 2011: HK\$199,647,000).

As at 30 September 2011, the Group did not have any bank borrowings but the Group had a finance lease payable and loans from a director of HK\$179,000 and HK\$9,076,000 respectively (31 March 2011: HK\$200,000 and HK\$4,800,000 respectively) and therefore, the gearing ratio, representing ratio of total bank borrowings and finance lease payable to shareholders' equity, was 2.6% (31 March 2011: 2.5%). The Group's shareholders' equity amounted to HK\$349,408,000 as at 30 September 2011 (31 March 2011: HK\$199,647,000).

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

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

As at 30 September 2011, the Group's banking facilities were secured by the following:

- (i) the pledge of certain of the Group's time deposits amounting to HK\$14,036,000 (31 March 2011: HK\$14,029,000); and
- (ii) a corporate guarantee to the extent of HK\$18 million (31 March 2011: HK\$18 million) provided by the Company.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Warrants

i) Warrants placed on 8 September 2010

On 8 September 2010, an aggregate of 151,000,000 unlisted warrants have been successfully placed by the Company to not less than six placees who are third parties independent of and not connected to the Company and its connected persons, at the issue price of HK\$0.015 per warrant and the subscription price of HK\$0.51 per warrant. The subscription period for the warrants is from the date of issue of the warrants to the expiry, which is 18 months from the issue of the warrants. Upon the exercise in full of the subscription rights attached to the warrants, a maximum of 151,000,000 shares of the Company will be issued and allotted.

An aggregate of 109,000,000 unlisted warrants have been exercised last year and no further unlisted warrants have been exercised during the six months ended 30 September 2011.

As at 30 September 2011, an aggregate of 42,000,000 unlisted warrants has remained unexercised.

ii) Warrants placed on 18 March 2011

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

As at 30 September 2011, no warrant holders have exercised the subscription rights attached to the warrants.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Placing of New Shares and Warrants

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

On 3 May 2011, an aggregate of 45,900,000 unlisted warrants have been successfully placed by the Company to not less than six placees who are third parties independent of and not connected to the Company and its connected persons, at the issue price of HK\$0.01 per warrant and the subscription price of HK\$0.70 per warrant. The subscription period for the warrants is from the date of issue of the warrants to the expiry, which is 18 months from the issue of the warrants.

Upon the exercise in full of the subscription rights attached to the warrants, a maximum of 45,900,000 shares of the Company will be issued and allotted. As at 30 September 2011, no warrant holders have exercised the subscription rights attached to the warrants.

The aggregate net proceeds from the placing of the 45,900,000 new shares and the 45,900,000 unlisted warrants at an issue price of HK\$0.01 per warrant were HK\$30,100,000.

Contingent Liabilities

As 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\$3,093,000 (31 March 2011: HK\$1,157,000) in respect of certain services provided to various customers by the Group.
- (b) The Group had a contingent liability in respect of possible future long service payments to employees under the Employment Ordinance, with a maximum possible amount of approximately HK\$3,264,000 as at 30 September 2011 (31 March 2011: HK\$1,016,000). The contingent liability has arisen because, at the end of the reporting period, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A provision of HK\$1,703,000 (31 March 2011: HK\$592,000) in respect of such payments has been made in the condensed consolidated statement of financial position as at 30 September 2011.
- (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 not provided for should be adequately covered by the insurance as at 30 September 2011 and 31 March 2011.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Employees and Remuneration Policies

The total number of employees of the Group as at 30 September 2011 was 1,611 (31 March 2011: 1,622). Total staff costs, including directors' emoluments and net pension contributions, for the period under review amounted to HK\$79,775,000 (30 September 2010: HK\$74,025,000). The Group provides employees with training programmes to equip them with the latest skills.

Remunerations are commensurate with individual job nature, work experience and market conditions, and performance-related bonuses are granted to employees on discretionary basis. In addition, all employees of the Group, including directors, are eligible to participate in the Company's share option scheme.

Prospects

The Group has established a prominent position in the cleaning and specialty-cleaning services business over the past decades, and has accumulated solid knowledge and experience in serving complex and dynamic institutions and customers. Given such, as well as our continuing harmonious relationship with staff and other employees, the Group maintains an optimistic outlook for the enlargement of its market share in this highly competitive environment.

The Group will invest more in television screen broadcast business in the future. It is expected that the Hung Hom Station Hall and Train project will be inaugurated at the end of the year. All businesses will be on track by March next year. Subsequently, the news and information programmes broadcasted by the Hung Hom Station Departure Hall and Ktt train project will be updated daily. The advertisement time of the programmes will reach 30% to 40%, so as to maximize profitability with the existing resources.

In addition, the Group will continue to expand new markets and explore more large screen and related projects in Hong Kong and PRC markets by utilizing the sound resources of its own and its shareholders. It is expected that the Group will expand its media terminal network into more than 50 countries and territories in Asia-Pacific region as of the first half of next year. We will install media terminals in the office buildings or places of business of Xinhua News Agency, embassies and giant state-owned enterprises all over the world, so that our business will reach a leading level among our peers shortly.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2011.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details of the Scheme are disclosed in note 15 to the financial statements.

The following table discloses movements in the Company's share options outstanding during the six months ended 30 September 2011:

Name or category of participant	Number of share options			Date of grant of share options ⁽¹⁾	Exercise period of share options	Exercise price of share options ⁽²⁾ HK\$ per share
	At 1 April 2011	Granted/ exercised/ lapsed/ cancelled during the period	At 30 September 2011			
Directors						
Dr. Lo Kou Hong	6,000,000	—	6,000,000	12-5-05	22-4-05 to 21-4-15	0.275
	680,000	—	680,000	22-2-07	22-2-08 to 21-2-12	1.41
	680,000	—	680,000	22-2-07	22-2-09 to 21-2-12	1.41
	680,000	—	680,000	22-2-07	22-2-10 to 21-2-12	1.41
	680,000	—	680,000	22-2-07	22-2-11 to 21-2-12	1.41
	680,000	—	680,000	22-2-07	22-11-11 to 21-2-12	1.41
	<u>9,400,000</u>	<u>—</u>	<u>9,400,000</u>			
Mr. Leung Tai Tsan, Charles ⁽⁴⁾	3,000,000	—	3,000,000	12-5-05	22-4-05 to 21-4-15	0.275
	400,000	—	400,000	22-2-07	22-2-08 to 21-2-12	1.41
	400,000	—	400,000	22-2-07	22-2-09 to 21-2-12	1.41
	400,000	—	400,000	22-2-07	22-2-10 to 21-2-12	1.41
	400,000	—	400,000	22-2-07	22-2-11 to 21-2-12	1.41
	400,000	—	400,000	22-2-07	22-11-11 to 21-2-12	1.41
	<u>5,000,000</u>	<u>—</u>	<u>5,000,000</u>			

SHARE OPTION SCHEME (Continued)

Name or category of participant	Number of share options			Date of grant of share options ⁽¹⁾	Exercise period of share options	Exercise price of share options ⁽²⁾ HK\$ per share
	At 1 April 2011	Granted/ exercised/ lapsed/ cancelled during the period	At 30 September 2011			
Directors						
Mr. Cheung Pui Keung, James ⁽⁴⁾	4,000,000	–	4,000,000	12-5-05	22-4-05 to 21-4-15	0.275
	400,000	–	400,000	22-2-07	22-2-08 to 21-2-12	1.41
	400,000	–	400,000	22-2-07	22-2-09 to 21-2-12	1.41
	400,000	–	400,000	22-2-07	22-2-10 to 21-2-12	1.41
	400,000	–	400,000	22-2-07	22-2-11 to 21-2-12	1.41
	400,000	–	400,000	22-2-07	22-11-11 to 21-2-12	1.41
	<u>6,000,000</u>	<u>–</u>	<u>6,000,000</u>			
Other employees						
In aggregate ⁽³⁾	6,000,000	–	6,000,000	12-5-05	22-4-05 to 21-4-15	0.275
	2,020,000	–	2,020,000	22-2-07	22-2-08 to 21-2-12	1.41
	2,020,000	–	2,020,000	22-2-07	22-2-09 to 21-2-12	1.41
	2,020,000	–	2,020,000	22-2-07	22-2-10 to 21-2-12	1.41
	2,020,000	–	2,020,000	22-2-07	22-2-11 to 21-2-12	1.41
	2,020,000	–	2,020,000	22-2-07	22-11-11 to 21-2-12	1.41
	<u>16,100,000</u>	<u>–</u>	<u>16,100,000</u>			
	<u>36,500,000</u>	<u>–</u>	<u>36,500,000</u>			

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

- (1) The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- (2) The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.
- (3) Ms. Ko Lok Ping, Maria Genoveffa resigned as an executive director of the Company on 27 September 2011. The 9,400,000 share options granted by the Company to Ms. Ko Lok Ping, Maria Genoveffa for subscribing 9,400,000 shares of the Company remain exercisable.
- (4) Mr. Leung Tai Tsan, Charles and Mr. Cheung Pui Keung, James resigned as executive directors of the Company on 27 October 2011.

No share options have been granted/exercised/lapsed/cancelled during the six months ended 30 September 2011.

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

As at 30 September 2011, 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 by Directors of Listed Issuers (the "Model Code"), were as follows:

A.(1) Interests in shares of the Company

Name of director	Long/Short position	Capacity	Number of ordinary shares	Percentage* of the Company's issued share capital
Dr. Lo Kou Hong	Long	Founder of a discretionary trust	80,000,000 (Note (1))	6.86%
	Long	Interest of spouse	1,700,000 (Note (2))	0.15%
Mr. Leung Tai Tsan, Charles (Note (3))	Long	Beneficial owner	1,900,000	0.16%
Mr. Cheung Pui Keung, James (Note (3))	Long	Beneficial owner	1,480,000	0.13%

Notes:

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

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

- (2) Dr. Lo Kou Hong was deemed to be interested in the 1,700,000 shares of the Company through interest of his spouse, Ms. Ko Lok Ping, Maria Genoveffa.
- (3) Mr. Leung Tai Tsan, Charles and Mr. Cheung Pui Keung, James resigned as executive directors of the Company on 27 October 2011.

* The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 September 2011.

DIRECTORS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS *(Continued)*

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

Name of director	Long/Short position	Capacity	Number of underlying shares in respect of the share options granted	Percentage* of the underlying shares over the Company's issued share capital
Dr. Lo Kou Hong	Long	Beneficial owner	9,400,000	0.81%
	Long	Interest of spouse	9,400,000 <i>(Note (1))</i>	0.81%
Mr. Leung Tai Tsan, Charles <i>(Note (2))</i>	Long	Beneficial owner	5,000,000	0.43%
Mr. Cheung Pui Keung, James <i>(Note (2))</i>	Long	Beneficial owner	6,000,000	0.51%

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

Notes:

- (1) Dr. Lo Kou Hong was deemed to be interested in the 9,400,000 share options of the Company through interest of his spouse, Ms. Ko Lok Ping, Maria Genoveffa.
- (2) Mr. Leung Tai Tsan, Charles and Mr. Cheung Pui Keung, James resigned as executive directors of the Company on 27 October 2011.

* The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 30 September 2011.

DIRECTORS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS *(Continued)*

B.(1) Associated corporation – Peixin Group Ltd. (“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. As such, Dr. Lo Kou Hong was deemed to be interested in such shares pursuant to Part XV of the SFO.

* The percentage represents the number of ordinary shares interested divided by the number of Peixin's issued shares as at 30 September 2011.

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

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

Note: The registered capital in Shuyang ITAD was held through the controlled corporations of Dr. Lo Kou Hong. As such, Dr. Lo Kou Hong was deemed to be interested in such registered capital pursuant to Part XV of the SFO.

* The percentage represents the amount of registered capital interested divided by the total amount of Shuyang ITAD's registered capital as at 30 September 2011.

In addition to the above, as at 30 September 2011, certain directors of the Company held shares in certain subsidiaries 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 30 September 2011, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, nor had there been any grant or exercise of rights of such interests during the six months ended 30 September 2011.

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

As at 30 September 2011, the following persons (other than the directors and chief executives of the Company) had interests of 5% or more in the issued shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

(1) Interests in shares of the Company

Name of substantial shareholder	Long/Short position	Capacity	Number of ordinary shares	Percentage* of the Company's issued share capital
Asia-Pacific Regional Bureau	Long	Beneficial owner	214,681,040	18.40%
Xinhua News Agency Asia-Pacific Regional Bureau	Long	Interest held by controlled corporation	214,681,040 (Note (1))	18.40%
Ms. Ko Lok Ping, Maria Genoveffa	Long	Beneficial owner	1,700,000	0.15%
	Long	Interest of spouse	80,000,000 (Note (2))	6.86%
The Lo's Family (PTC) Limited	Long	Trustee	80,000,000 (Note (3))	6.86%
Equity Trustee Limited	Long	Trustee	80,000,000 (Note (3))	6.86%

Notes:

- (1) These shares were owned by Asia-Pacific Regional Bureau, the entire issued share capital of which was owned by Xinhua News Agency Asia-Pacific Regional Bureau. Accordingly, Xinhua News Agency Asia-Pacific Regional Bureau was deemed to be interested in such shares pursuant to Part XV of the SFO.
- (2) Ms. Ko Lok Ping, Maria Genoveffa was deemed to be interested in the 80,000,000 shares of the Company through interest of her spouse, Dr. Lo Kou Hong.
- (3) These shares were owned by The Lo's Family (PTC) Limited in its capacity as the trustee of The Lo's Family Unit Trust, a unit trust of which all the units in issue were owned by Equity Trustee Limited as the trustee of The Lo's Family Trust. By virtue of its ownership of all the issued units in The Lo's Family Unit Trust, Equity Trustee Limited in its capacity as the trustee of The Lo's Family Trust was deemed to be interested in such shares owned by The Lo's Family (PTC) Limited in its capacity as the trustee of The Lo's Family Unit Trust.

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

* The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 September 2011.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY *(Continued)*

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

Name of substantial shareholder	Long/Short position	Capacity	Number of underlying shares in respect of the share options granted	Percentage* of the underlying shares over the Company's issued share capital
Ms. Ko Lok Ping, Maria Genoveffa	Long	Beneficial owner	9,400,000	0.81%
	Long	Interest of spouse	9,400,000 <i>(Note)</i>	0.81%

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

Note: Ms. Ko Lok Ping, Maria Genoveffa was deemed to be interested in the 9,400,000 share options of the Company through interest of her spouse, Dr. Lo Kou Hong.

* The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 30 September 2011.

Save as disclosed above, as at 30 September 2011, no person, other than the Company's directors whose interests are set out in the above section headed "Directors' interests in the shares and underlying shares of the Company and its associated corporations", had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors (the "Own Code") on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of the Company's directors, the directors have complied with the required standard set out in the Model Code and the Own Code throughout the accounting period covered by the interim report.

COMPLIANCE WITH WRITTEN GUIDELINES FOR SECURITIES TRANSACTIONS BY THE RELEVANT EMPLOYEES OF THE COMPANY

The Company has established written guidelines for the relevant employees of the Company (the “Relevant Employees”) in respect of their dealings in the securities of the Company (the “Written Guidelines”) on terms no less exacting than the required standard set out in the Model Code. For this purpose, “Relevant Employee” includes any employee of the Company or a director or employee of a subsidiary or holding company of the Company who, because of such office or employment, is likely to be in possession of unpublished price sensitive information in relation to the Company or its securities. No incident of non-compliance of the Written Guidelines was noted by the Company throughout the accounting period covered by the interim report.

AUDIT COMMITTEE

The Audit Committee of the Company comprises the three independent non-executive directors of the Company, namely, Ms. Xu Zhijuan (Chairman of Audit Committee), Mr. Tang Binfeng and Mr. Wang Qi. The Audit Committee has reviewed with senior management of the Company these interim results and the accounting principles and practices adopted by the Group.

CORPORATE GOVERNANCE

The Board is of the view that the Company has met the code provisions set out in the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 14 to the Main Board Listing Rules, except that there is no separation of the roles of Chairman and Chief Executive Officer as stipulated in the code provision A.2.1 of the CG Code.

From 1 April 2011 to 16 May 2011, Dr. Lo Kou Hong was both the Chairman of the Board and the Chief Executive Officer of the Company. From 17 May 2011 to 20 October 2011, Mr. Cheung Ming was appointed as Executive Director and the Chief Executive Officer of the Company. With the addition of the television screen broadcast business of the Company business, Mr. Ju Mengjun and Dr. Lo Kou Hong have been re-designated as Co-Chairman of the Board since 13 June 2011.

The Board considers that the separation of roles in the aforesaid re-designation of titles is appropriate to the Group’s current dual business focus.

DISCLOSURE OF CHANGE IN INFORMATION OF DIRECTORS OF THE COMPANY UNDER RULE 13.51(B)(1) OF THE MAIN BOARD LISTING RULES

- (A) From November 2011, monthly remuneration of Dr. Lo Kou Hong amount to HK\$30,000.
- (B) From November 2011, monthly remuneration of each of Mr. Chang Loong Cheong, Mr. Meng Jin, Mr. Shi Guoxiong, Mr. Zhou Guanghe, Mr. Xu Rong, Ms. Xu Zhijuan and Mr. Tang Binfeng amount to HK\$10,000.

On behalf of the Board

Xinhua News Media Holdings Limited

Lo Kou Hong

Co-Chairman

Hong Kong, 29 November 2011