

XINHUA
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XINHUA NEWS MEDIA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 309

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INTERIM 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
Yan Liang
Wen Xin Nian

Independent Non-executive Directors

Wang Qi
Tsang Chi Hon
Ho Hin Yip

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

STRATEGY AND DEVELOPMENT COMMITTEE

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

EXECUTIVE COMMITTEE

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

CORPORATE GOVERNANCE COMMITTEE

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

COMPANY SECRETARY

Goh Choo Hwee

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

SOLICITORS

Ma Tang & Co. Solicitors

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

2nd Floor
5 Sharp Street West
Wan Chai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

STOCK CODE

309

COMPANY'S WEBSITE

www.XHNmedia.com

RESULTS

The board of directors (the "Board") of Xinhua News Media Holdings Limited (the "Company") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 2015 together with the unaudited comparative figures for the six months ended 30 September 2014 as follows. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2015

		For the six months ended 30 September	
		2015	2014
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Revenue	3	153,614	137,084
Other income and gains	4	825	333
Staff costs		(110,073)	(97,672)
Depreciation and amortisation	6	(5,550)	(5,862)
Other operating expenses		(41,653)	(34,093)
Finance costs	5	(25)	(14)
Share of profit of an associate		6	22
Loss before tax	6	(2,856)	(202)
Income tax expenses	7	(176)	(214)
Loss for the period		(3,032)	(416)
Other comprehensive (loss)/income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations, net of tax		(507)	26
Total comprehensive loss for the period		(3,539)	(390)

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(continued)

For the six months ended 30 September 2015

		For the six months ended 30 September	
		2015	2014
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Loss attributable to:			
Owners of the Company		(2,801)	(535)
Non-controlling interests		(231)	119
		(3,032)	(416)
Total comprehensive loss attributable to:			
Owners of the Company		(3,076)	(519)
Non-controlling interests		(463)	129
		(3,539)	(390)
Loss per share attributable to ordinary equity holders of the Company			
Basic and diluted	8	HK\$(0.0020)	HK\$(0.0004)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2015

	Notes	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	22,769	21,765
Intangible assets	10	51,324	55,831
Investment in an associate		710	704
Total non-current assets		74,803	78,300
Current assets			
Inventories		261	225
Amount due from an associate	19(b)	240	240
Trade receivables	11	73,360	60,588
Prepayments, deposits and other receivables	12	32,014	31,799
Pledged time deposits	13	14,136	13,086
Cash and cash equivalents		54,565	62,778
Total current assets		174,576	168,716
LIABILITIES			
Current liabilities			
Trade payables	14	7,459	5,190
Other payables and accrued liabilities		37,799	31,259
Loans from a director	19(b)	6,487	5,564
Finance lease payables	15	365	359
Tax payable		389	394
Total current liabilities		52,499	42,766
Net current assets		122,077	125,950
Total assets less current liabilities		196,880	204,250

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 September 2015

		30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
	<i>Notes</i>		
Non-current liabilities			
Loans from a director	19(b)	21	3,733
Finance lease payables	15	1,026	1,209
Provision for long service payments		3,567	3,058
Deferred income		5,177	5,622
Total non-current liabilities		9,791	13,622
Net assets		187,089	190,628
CAPITAL AND RESERVES			
Share capital	16	13,675	13,675
Reserves		177,451	180,527
Equity attributable to owners of the Company		191,126	194,202
Non-controlling interests		(4,037)	(3,574)
Total equity		187,089	190,628

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2015

	Attributable to owners of the Company										
	Share capital	Share premium	Capital redemption reserve	Merger reserve	Share option reserve	Contributed surplus	Accumulated losses	Exchange fluctuation reserve	Sub-total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2014 (Audited)	13,023	450,896*	254*	47,063*	17,313*	26,758*	(391,029)*	12,232*	176,510	(3,387)	173,123
(Loss)/profit for the period	-	-	-	-	-	-	(535)	-	(535)	119	(416)
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	16	16	10	26
Total comprehensive loss for the period	-	-	-	-	-	-	(535)	16	(519)	129	(390)
Placing of new shares	652	18,631	-	-	-	-	-	-	19,283	-	19,283
At 30 September 2014 (Unaudited)	13,675	469,527*	254*	47,063*	17,313*	26,758*	(391,564)*	12,248*	195,274	(3,258)	192,016
At 1 April 2015 (Audited)	13,675	469,527*	254*	47,063*	17,313*	26,758*	(392,651)*	12,263*	194,202	(3,574)	190,628
Loss for the period	-	-	-	-	-	-	(2,801)	-	(2,801)	(231)	(3,032)
Other comprehensive loss for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(275)	(275)	(232)	(507)
Total comprehensive loss for the period	-	-	-	-	-	-	(2,801)	(275)	(3,076)	(463)	(3,539)
Lapsed of share options	-	-	-	-	(17,313)	-	17,313	-	-	-	-
At 30 September 2015 (Unaudited)	13,675	469,527*	254*	47,063*	-	26,758*	(378,139)	11,988	191,126	(4,037)	187,089

* These reserve accounts comprise the consolidated reserves of approximately HK\$177,451,000 (31 March 2015: HK\$180,527,000) in the condensed consolidated statement of financial position as at 30 September 2015.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2015

	For the six months ended	
	30 September 2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Net cash used in operating activities	(1,199)	(1,855)
Net cash used in investing activities	(4,249)	(1,064)
Net cash (used in)/generated from financing activities	(2,678)	19,687
Net (decrease)/increase in cash and cash equivalents	(8,126)	16,768
Cash and cash equivalents at the beginning of the period	62,778	57,001
Effect of foreign exchange rate changes on the balance of cash held in foreign currencies	(87)	7
Cash and cash equivalents at the end of the period	54,565	73,776
Analysis of balances of cash and cash equivalents		
Cash and bank balances	54,511	73,722
Non-pledged time deposits with original maturity of less than three months when acquired	54	54
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	54,565	73,776

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2015

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2015 ("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 (the "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 Financial Statements are the same as those used in the Group's annual financial statements for the year ended 31 March 2015, 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

In the current period, the Group has applied for the first time, the following new and revised standards, amendments and interpretations ("new HKFRS") issued by the HKICPA, which are effective for the Group's financial period beginning on 1 April 2015. A summary of the new HKFRSs are set out as below:

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

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

The Group has not early applied any new HKFRSs that have been issued but are not yet effective for the current accounting period.

3. 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:

- the cleaning and related services segment engages in the provision of cleaning and related services for office buildings, public areas and residential areas;
- the television screen broadcast business segment engages in the provision of publicly broadcasting information and advertisements on television screens services;
- the medical waste treatment segment engages in the provision of non-incineration medical waste handling services for hospitals; and
- the waste treatment business segment engages in the provision of organic waste treatment and sale of the by-products produced.

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3. OPERATING SEGMENT INFORMATION (continued)

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

There are no intersegment sales and transfers between the segments.

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

	For the six months ended 30 September 2015				
	Cleaning and related services (Unaudited) HK\$'000	Television screen broadcast business (Unaudited) HK\$'000	Medical waste treatment (Unaudited) HK\$'000	Waste treatment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue:					
Service income from external customers	140,636	7,500	5,447	31	153,614
Other income and gains	41	-	235	-	276
Total	140,677	7,500	5,682	31	153,890
Segment results	5,937	739	312	(980)	6,008
Reconciliation:					
Interest income					549
Unallocated gains					6
Unallocated expenses					(9,394)
Finance costs					(25)
Loss before tax					(2,856)
Income tax expenses					(176)
Loss for the period					(3,032)

3. OPERATING SEGMENT INFORMATION (continued)

	For the six months ended 30 September 2014				Total (Unaudited) HK\$'000
	Cleaning and related services (Unaudited) HK\$'000	Television screen broadcast business (Unaudited) HK\$'000	Medical waste treatment (Unaudited) HK\$'000	Waste treatment (Unaudited) HK\$'000	
Segment revenue:					
Service income from external customers	121,963	9,918	5,104	99	137,084
Other income and gains	259	61	-	1	321
Total	122,222	9,979	5,104	100	137,405
Segment results	7,118	2,745	1,209	(1,148)	9,924
Reconciliation:					
Interest income					12
Unallocated gains					22
Unallocated expenses					(10,146)
Finance costs					(14)
Loss before tax					(202)
Income tax expenses					(214)
Loss for the period					(416)

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4. OTHER INCOME AND GAINS

	For the six months ended 30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Sundry income	11	119
Net gain on disposal of property, plant and equipment	-	172
Amortisation of deferred income	235	-
Interest income	549	12
Management fee received	30	30
	825	333

5. FINANCE COSTS

	For the six months ended 30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on finance leases	25	14

6. LOSS BEFORE TAX

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

	For the six months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Cost of services rendered	124,586	106,677
Depreciation	1,484	1,796
Amortisation of intangible assets	4,066	4,066
Loss on disposal of property, plant and equipment	23	-

7. INCOME TAX EXPENSES

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 (30 September 2014: Nil).

The corporate income tax has been provided for subsidiaries in the People's Republic of China (the "PRC") based on assessable profits arising in the PRC during the period. Subsidiaries located in the PRC are subject to the PRC corporate income tax at a rate of 25% (2014: 25%) on its assessable profits.

	For the six months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Current tax		
Hong Kong	-	-
The PRC	176	214
	176	214

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 30 September 2015 would not be distributed in the foreseeable future.

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

The calculation of basic loss per share is based on the loss for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,367,486,040 (30 September 2014: 1,304,423,745) in issue during the period.

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 September 2015 and 2014 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 diluted loss per share was the same as the basic loss per share.

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

	For the six months ended 30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		[Restated]
Loss		
Loss attributable to ordinary equity holders of the Company used in the basic and diluted loss per share calculation	(2,801)	(535)

	Number of shares	
	2015	2014
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculation	1,367,486,040	1,304,423,745

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2015, the Group acquired items of property, plant and equipment with a cost of approximately HK\$3,208,000 (30 September 2014: HK\$1,197,000). Items of property, plant and equipment with carrying amount of approximately HK\$23,000 were disposed during the six months ended 30 September 2015 (30 September 2014: HK\$8,000), resulting in a net loss on disposal of property, plant and equipment of approximately HK\$23,000 (30 September 2014: net gain on disposal of property, plant and equipment of approximately HK\$172,000).

10. INTANGIBLE ASSETS

	Medical waste treatment <i>HK\$'000</i>	Free right <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost			
At 31 March 2015 (Audited)	35,283	151,286	186,569
Exchange realignment	(1,356)	–	(1,356)
At 30 September 2015 (Unaudited)	33,927	151,286	185,213
Accumulated amortisation and impairment			
At 31 March 2015 (Audited)	23,443	107,295	130,738
Amortisation during the period	500	3,566	4,066
Exchange realignment	(915)	–	(915)
At 30 September 2015 (Unaudited)	23,028	110,861	133,889
Carrying amount			
At 30 September 2015 (Unaudited)	10,899	40,425	51,324
At 31 March 2015 (Audited)	11,840	43,991	55,831

11. TRADE RECEIVABLES

	30 September 2015 (Unaudited) <i>HK\$'000</i>	31 March 2015 (Audited) <i>HK\$'000</i>
Trade receivables	73,360	60,588

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 follow:

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11. TRADE RECEIVABLES (continued)

	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
Within 30 days	23,739	22,195
31 to 60 days	13,063	10,320
61 to 90 days	4,444	12,369
91 to 120 days	8,807	691
Over 120 days	23,307	15,013
	73,360	60,588

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
Prepayments	7,865	7,198
Deposits	4,030	4,734
Other receivables (Note)	20,119	19,867
	32,014	31,799

Note:

At 30 September 2015, included in other receivables was a loan receivable amount to HK\$18,000,000 (31 March 2015: HK\$18,000,000) advanced to a company not connected to the Group. The loan receivable is unsecured, charged at an interest rate of 6.00% per annum and due on 29 February 2016.

13. PLEDGED TIME DEPOSITS

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\$14,136,000 (31 March 2015: HK\$13,086,000).

14. TRADE PAYABLES

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

	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
Within 30 days	4,231	3,669
31 to 60 days	2,830	1,326
61 to 90 days	3	66
Over 90 days	395	129
	7,459	5,190

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

15. FINANCE LEASE PAYABLES

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

At 30 September 2015 and 31 March 2015, the total future minimum lease payments under finance leases are as follows:

	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
Amounts payable:		
Within one year	404	404
In the second year	404	404
In the third to fifth year, inclusive	665	867
Total minimum finance lease payments	1,473	1,675
Future finance charges	(82)	(107)
Total net finance lease payables	1,391	1,568
Portion classified as current liabilities	(365)	(359)
Non-current portion	1,026	1,209

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16. SHARE CAPITAL

	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
Authorised: 2,000,000,000 (31 March 2015: 2,000,000,000) ordinary shares of HK\$0.01 each	20,000	20,000
Issued and fully paid: 1,367,486,040 (31 March 2015: 1,367,486,040) ordinary shares of HK\$0.01 each	13,675	13,675

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

	Number of shares in issue	Issued capital (Unaudited) HK\$'000
Issued: At 31 March 2015 and 30 September 2015	1,367,486,040	13,675

Employee share option scheme

During the six months ended 30 September 2015, 19,000,000 share options were lapsed and there were no share options under the Share Option Scheme as at 30 September 2015.

At the date of approval of these condensed consolidated interim financial statements, the Company had no share options outstanding under the existing Share Option Scheme.

17. CONTINGENT LIABILITIES

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

- The Group has executed performance guarantees to the extent of an aggregate amount of HK\$13,038,000 (31 March 2015: HK\$10,649,000) in respect of certain services provided to various customers by the Group.
- 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\$6,289,000 as at 30 September 2015 (31 March 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\$3,567,000 (31 March 2015: HK\$3,058,000) in respect of such payments has been made in the condensed consolidated statement of financial position as at 30 September 2015.
- 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 2015 and 31 March 2015.

18. OPERATING LEASE ARRANGEMENTS

The Group leases its office properties and staff quarters under operating lease arrangements, which are negotiated for terms ranging from 1 to 3 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 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
Within one year	2,213	2,873
In the second to fifth years, inclusive	3,078	4,104
	5,291	6,977

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

	For the six months ended 30 September 2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Management fee income from a related company <i>(Note)</i>	30	30

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.

(b) Outstanding balances with related parties:

Amount due from an associate

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

Loans from a director

As at 30 September 2015, the loans from a director amounted to approximately HK\$6,508,000 (31 March 2015: HK\$9,297,000) are unsecured, interest-free and not repayable within the next twelve months except for loans of approximately HK\$6,487,000 (31 March 2015: HK\$5,564,000) which is repayable within the next twelve months.

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19. RELATED PARTY TRANSACTIONS (continued)

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

	For the six months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Short term employee benefits	1,493	1,550
Post-employment benefits	43	9
Total compensation paid to key management personnel	1,536	1,559

20. FINANCIAL INSTRUMENTS

(a) *Financial instruments carried at fair value*

Fair value hierarchy

These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

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

There were no transfers between Level 1 and 2 for the period ended 30 September 2015 and 2014.

(b) *Fair values of financial assets and liabilities measured at amortised costs*

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the condensed consolidated financial statements approximately their fair values.

21. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the Board on 27 November 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

The Group's turnover for the six months ended 30 September 2015 amounted to approximately HK\$153,614,000 (30 September 2014: HK\$137,084,000) represented a 12.1% increase as compared to the same period last year. The loss of the Group for the six months ended 30 September 2015 was approximately HK\$3,032,000 (30 September 2014: HK\$416,000). Cleaning and related services business made a profit of approximately HK\$5,937,000, the medical waste treatment business made a profit of approximately HK\$312,000, the television screen broadcast business made a profit of approximately HK\$739,000 and the waste treatment business made a loss of approximately HK\$980,000.

FINANCIAL REVIEW

As at 30 September 2015, the Group's cash and cash equivalents and pledged time deposits totalled approximately HK\$68,701,000 (31 March 2015: HK\$75,864,000) and its current ratio was 3.33 (31 March 2015: 3.95). The Group's net assets were approximately HK\$187,089,000 (31 March 2015: HK\$190,628,000).

As at 30 September 2015, the Group did not have any bank borrowings but the Group has finance lease payables and loans from a Director of approximately HK\$1,391,000 and HK\$6,508,000 respectively (31 March 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 4.2% (31 March 2015: 5.7%). The Group's shareholders' equity amounted to approximately HK\$187,089,000 as at 30 September 2015 (31 March 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 and related services 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 are transacted in Renminbi ("RMB"). The Group's cash and bank balances are primarily denominated in HK dollars, RMB and United States dollars.

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

As at 30 September 2015, the Group's banking facilities were secured by the pledge of certain Group's time deposits amounting to approximately HK\$14,136,000 (31 March 2015: HK\$13,086,000).

BUSINESS REVIEW

Television Screen Broadcast Business

During the period under review, the Group faced significant headwind from a multitude of macro-economic downturns. The slowdown of growth from mainland China has caused large Chinese enterprises to cut spending. The uncertainty of the future has caused these companies to tighten budget planning in the upcoming years. Additionally, consumers and tourists are spending less as a result. This has had significant impact in areas such as Macau and Hong Kong where the Company currently operates. Increase in instability throughout other parts of the world such as Americas and Europe combined with the slowdown of Asia have also caused foreign companies leery of committing to long term contracts in the Asia region.

The Group has also experienced an increase in pricing disparity when talking to potential advertising clients. These potential advertising clients are often requesting large discounts from retail pricing and shortening of the duration of the contracts. This disparity has caused termination of several potential investment opportunities in the advertising space. The Group is prudent with its financial resources and will not commit unless the potential investment fits all of the investment criteria of the Company.

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Despite the aforementioned difficulties, the Group is still committed to its strategy of the television screen broadcast business. The synergy that has been created with Xinhua News Agency Asia Pacific Bureau is still unique to the Group and in the media advertising space. Existing media platforms, in cooperation with MTR Corporation Limited and Hong Kong International Airport, continue to operate smoothly. Other existing media platforms at large commercial buildings are fully operational as well. The Group considers the existing media platform to be a solid foundation to build upon and to expand from. The Group will continue to seek other media platforms to increase its media network in order to meet the increasing demands of its potential advertising clients.

Cleaning and related services

The sustained labour shortage is still confronting most of the employers in Hong Kong. Hong Kong has been on the threshold of a greying population as a result of sprinkling fertility rate, skills mismatch and perhaps succession. There is so far no way to be sure how long the shortage will last nor would there be any immediate remedies. A manpower shortfall will continue in the next few years, warned some human resources consultants. This is a pressing issue that we cannot afford to ignore.

During the period under review, the Group, notwithstanding a combination of challenges, was able to achieve steady growth. Several significant contracts were renewed for terms ranging from one year to three years with our clients, including a Hong Kong based flight kitchen, which is one of the biggest in the world, two top-notch office buildings in Central, two housing estates of relatively large scale in Tung Chung and Yuen Long and one prestigious residential estate on Island South.

Some new contracts were also secured including that for the biggest housing estate in Lantau for a fixed term of three years with an option to renew for another three years.

The Group has been renowned for its expertise to provide high-level and external wall cleaning via gondolas and other high-level access equipment. Other than rendering curtain wall cleaning for several commercial and shopping developments on contract basis, the Group acquired an external wall cleaning contract for a low-rise premier residential development on the Peak. The work had to be completed under a compressed time frame and in a rigid working environment, which encompassed proper protection of landscape gardening, strict restrictions on disturbing noises and working hours as well as the occasional gusts of strong winds. Through the effort of our service teams, the work was completed well on schedule.

Series of stone care and maintenance products from Italy, for which the Group is the sole agent in Hong Kong, Macau and the Mainland, enjoyed their successive popularity in the market. A long term contract was signed with a listed company to provide these products for the regular maintenance and care of the stone fittings in their flagship shopping mall in West Kowloon.

Progress of the pest control business was also at a steady pace. As an effort of launching our corporate social responsibility, the group's technical manager of this department, at the requests of some owners' corporations and social organisations, provided to their members courses in terms of basic knowledge of destructive pests which are perceived to be detrimental to humans' health. Methods of elimination and extermination approaches adopted by the professional service sector were also introduced during the course.

This year the Group was again nominated for the award of a "Caring Company Logo" launched by The Hong Kong Council of Social Service for our performance in "employee friendly" and "caring for the environment".

Medical waste treatment business

As to the medical waste treatment business, the two medical waste treatment plants of the Group located in Siping City and Suihua City in the People's Republic of China (the "PRC"), continued to operate smoothly throughout the period under review.

Waste treatment business

The Group is seeking various options in respective of this investment during the period under review.

PROSPECTS

Television Screen Broadcast Business

The Group is still committed in developing the television screen broadcast business. Together with Xinhua News Agency Asia Pacific Bureau, the Group's positive synergy is still unique in Asia's media advertising space. With a multitude of headwinds, the Group believes that it is now even more essential to expand to high profile areas in order to meet the demands of potential advertising clients.

The Group will continue with its existing strategy to seek out potential investment opportunities in key strategic locations such as first tier cities in mainland China, Hong Kong and Macau. High densely populated areas such as train stations, airports and well located commercial buildings are still areas where the Group will look to expand into. As we expand our network of media platforms in key strategic locations will we be able to attract the large enterprises as our potential clients.

Due to the Group's prudent approach to investing, the Group has been slower in expansion than as planned. However, the Group believes it is in the best interest of the Company and its shareholders to only commit when an investment meets all of the criteria of the Group. The Group will continue to seek potential projects that meet the Group's objective and investment criteria in order to expand its media platform. Despite the macro economic conditions, the Group believes that it can still capture the necessary segment of the market in the media advertising space.

Cleaning and related services

To combat the challenging environment and to maintain a viable workforce to meet the ever growing demands for high service standard of our customers, the Group will constantly review our staff fringe benefits and retention programs, step up the efficiency and capability of our service teams and adjust our management philosophy to cope with the market variances to-day.

Opportunities come with challenges. Through decades of exertion, the Group has developed a prominent position in the market and obtained the confidence of customers. We maintain an optimistic outlook for the expansion of our market share in the period ahead.

While striving for sustainable and holistic development, safety must be stressed. It cannot be emphasised any stronger the importance of good safety records which would reflect premium payable on the compulsory liabilities insurance required. We are determined to uphold these safety records.

Medical waste treatment business

The two medical waste treatment plants located in Siping City and Suihua City in the PRC are now well established and are expected to continue their smooth operations. The Group therefore expects that the medical waste treatment business segment will continue to bring in revenue to the Group in the future.

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INTERIM DIVIDEND

The Board does not recommend the payment of any dividend to shareholders for the six months ended 30 September 2015 (30 September 2014: 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 approximately HK\$13,038,000 (31 March 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\$6,289,000 as at 30 September 2015 (31 March 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\$3,567,000 (31 March 2015: HK\$3,058,000) in respect of such payments has been made in the condensed consolidated statement of financial position as at 30 September 2015.
- (c) During the ordinary course of its business, the Group may from time to time be involved in litigation concerning personal injuries sustained by its employees or third party claimants. The Group maintains insurance cover and, in the opinion of the directors, based on current evidence, any such existing claims should be adequately covered by the insurance as at 30 September 2015 and 31 March 2015.

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees of the Group as at 30 September 2015 was 1,675 (31 March 2015: 1,623). Total staff costs, including directors' emoluments and net pension contributions, for the period under review amounted to HK\$110,073,000 (30 September 2014: HK\$97,672,000). The Group provides employees with training programmes to equip them with the latest skills.

Remunerations are commensurate with individual job nature, work experience and market conditions, and performance-related bonuses are granted to employees on discretionary basis.

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations, including any executive director ("Executive Director"), non-executive director ("Non-executive Director"), independent non-executive director ("Independent non-executive Director"), any consultant of the Group or any eligible participants on and subject to the terms of the share option scheme.

PURCHASE, SALE OF 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 2015.

SHARE OPTION SCHEME

The New Scheme

At the annual general meeting of the Company held on 25 September 2015, a new share option scheme of the Company was approved by the shareholders of the Company (the "New Scheme"). As at 30 September 2015, no share option was granted by the Company under the New Scheme.

The Old Scheme

The Company adopted a share option scheme (the "Old Scheme") on 24 April 2003, which expired on 23 April 2013 and the share options under the Old Scheme lapsed upon the expiration of the exercise period of share options on 21 April 2015. The following table sets out details and movements of the Company's share options held by eligible participants of the Group under the Old Scheme during the period specified below:

Name or category of participant	Number of share options			Date of grant of share options <i>(Note (1))</i>	Exercise period of share options	Exercise price of share options <i>(Note (2))</i> HK\$ per share
	At 1 April 2015	Granted/ exercised/ lapsed/ cancelled between 1 April 2015 to 21 April 2015	Lapsed on 21 April 2015			
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 <i>(Note (3))</i>	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 under the Old Scheme during the period:

- (1) The vesting period of the share options was from the date of grant until the commencement of the exercise period.
- (2) The exercise price of the share options was 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 until expiry of such share options. Exercise period of 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 until expiry of such share options. Exercise period of such relevant share options lapsed on 21 April 2015.

As the Old Scheme expired on 23 April 2013, no further shares options could be granted under the Old Scheme. No share options have been granted, exercised and/or cancelled during the six months ended 30 September 2015. The share options under the Old Scheme lapsed upon the expiration of the exercise period of share options, i.e. 21 April 2015.

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

As at 30 September 2015, 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 pursuant to the Model Code, were as follows:

A.(1) INTERESTS IN SHARES OF THE COMPANY

Name of director	Long/Short position	Capacity	Number of ordinary shares	Percentage* of the Company's issued share capital
Mr. Yu Guang	Long	Interest held by controlled corporation	133,387,000 (Note (1))	9.75%
Dr. Lo Kou Hong	Long	Founder of a discretionary trust	40,000,000 (Note (2))	2.93%
	Long	Interest of spouse	1,700,000 (Note (3))	0.12%

Notes:

- (1) These shares were beneficially owned by Pan Asia Century Consulting Limited ("PAC Consulting") the entire issued share capital of which was wholly owned by Huian International Investment Limited ("Huian"). The entire issued share capital of Huian was beneficially owned by Mr. Yu Guang. Accordingly, Mr. Yu Guang was deemed to be interested in such shares through these controlled corporations pursuant to Part XV of the SFO. Although Ms. Zhang Li does not personally and beneficially own any interest in the Company, she was deemed to be interested by virtue of her being the wife of Mr. Yu Guang.
- (2) These shares were owned by The Lo's Family (PTC) Limited in its capacity as the trustee of The Lo's Family Unit Trust, a unit trust of which all the units in issue were owned by Equity Trustee Limited as the trustee of The Lo's Family Trust, a discretionary trust of which the objects included Dr. Lo Kou Hong's family members. Accordingly, Dr. Lo Kou Hong, as the founder of The Lo's Family Trust, was deemed to be interested in the shares of the Company owned by The Lo's Family (PTC) Limited in its capacity as the trustee of The Lo's Family Unit Trust under Part XV of the SFO.

Mr. Lo Kou Hong's interest in the 6,000,000 share options of the Company ceased on 21 April 2015 upon expiry of such 6,000,000 share options on the same date. Further, Dr. Lo Kou Hong was deemed to be interested in the 6,000,000 share options of the Company through his spouse, Ms. Ko Lou Ping, Maria Genoveffa, who personally and beneficially owned such relevant share options, which expired on 21 April 2015. Consequently, Dr. Lo Kou Hong's interest in such shares of the Company also ceased as at 30 September 2015.

- * The percentage represents the number of ordinary shares of the Company interested divided by the number of the Company's issued shares as at 30 September 2015.

A.(2) INTERESTS IN UNDERLYING SHARES OF THE COMPANY – PHYSICALLY SETTLED UNLISTED EQUITY DERIVATIVES

Name of Director	Long/Short position	Capacity	Number of underlying shares of the Company in respect of the share options granted	Percentage* of the Company's underlying shares over the Company's issued share capital
Dr. Lo Kou Hong	Long	Beneficial Owner	6,000,000 <i>(Note 1)</i>	0.44%
	Long	Interest of spouse	6,000,000 <i>(Note 2)</i>	0.44%

Details of the above share options as required to be disclosed by the Main Board Listing Rules have been disclosed in the section headed "Share Option Scheme".

Note:

- (1) Dr. Lo Kou Hong's interest in the 6,000,000 share options of the Company ceased on 21 April 2015 upon expiry of such 6,000,000 share options on the same date.
- (2) Dr. Lo Kou Hong was deemed to be interested in the 6,000,000 share options of the Company through interest of his spouse, Ms. Ko Lok Ping, Maria Genoveffa, who personally and beneficially owns such relevant share options, which expired on 21 April 2015. Consequently, Dr. Lo Kou Hong's interest in such shares of the Company also ceased on the same date.

* The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 30 September 2015.

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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 <i>(Note)</i>	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 remaining 70% of Peixin's issued share capital were owned by the Company.

* The percentage represents the number of underlying shares interested divided by the number of the Peixin's issued shares as at 30 September 2015.

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 corporation	RMB62,500,000 <i>(Note)</i>	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.

In addition to the above, as at 30 September 2015, Dr. Lo Kou Hong held one share in a subsidiary of the Company in a non-beneficial capacity, solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, as at 30 September 2015, 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 2015.

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

As at 30 September 2015, 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:

INTERESTS IN SHARES OF THE COMPANY

Name of substantial shareholder	Long/Short position	Capacity	Number of ordinary shares	Percentage* of the Company's issued share capital
APRB	Long	Beneficial owner	214,681,040	15.70%
Xinhua News Agency Asia-Pacific Regional Bureau	Long	Interest held by controlled corporation	214,681,040 <i>(Note (1))</i>	15.70%
PAC Consulting	Long	Beneficial owner	133,387,000	9.75%
Huian	Long	Interest held by controlled corporation	133,387,000 <i>(Note (2))</i>	9.75%
Chan Ka Chung	Long	Beneficial owner Interest held by controlled corporation	30,000,000 94,439,000 <i>(Note (3))</i>	2.19% 6.91%
Capital Alliance Group Limited	Long	Interest held by controlled corporation	94,439,000	6.91%

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".
- (3) To the best interest of the Company, these shares were owned by Capital Alliance Group Limited which should be controlled by Mr. Chan Ka Chung. Accordingly, Mr. Chan Ka Chung 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 the Company's issued shares as at 30 September 2015.

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CONNECTED TRANSACTION

Terms used in this section shall have the same meanings as those defined in the circular of the Company dated 24 February 2015 ("Circular") unless the context otherwise requires.

The Group entered into a Settlement and the Remedial Agreement with Asia-Pacific Regional Bureau on 15 July 2014 as full and final compensation for the non-fulfillment of the Revenue Undertaking by Asia-Pacific Regional Bureau under the Cooperation Agreement, whereby the Remedial Agreement was conditional upon the satisfaction of, among other things, Shareholders' approval. Asia-Pacific Regional Bureau is a substantial Shareholder and therefore a connected person of the Company. As the value of the consideration is more than HK\$10,000,000, the Remedial Agreement constitutes a non-exempted connected transaction within the meaning of the Main Board Listing Rules. On 27 March 2015, an extraordinary general meeting was held to approve, among other things, the Settlement, the Remedial Agreement, Supplemental Agreement and transactions contemplated thereunder. Relevant resolutions were thereby approved, confirmed and ratified.

Save as disclosed above, as at 30 September 2015, the Company has not entered into other connected transaction within the meaning of the Main Board Listing Rules.

CHANGE IN DIRECTORS' INFORMATION

Changes in the composition of the Board and Board committees during the six months ended 30 September 2015 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.

CORPORATE GOVERNANCE CORPORATE GOVERNANCE PRACTICES

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.

The Board recognises the vital importance of 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.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE OF THE MAIN BOARD LISTING RULES

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 six months ended 30 September 2015, the Company has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") in Appendix 14 of 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 (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 six months period 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 non-executive Directors should attend general meetings of the Company. Mr. Wang Qi, Independent non-executive Director, 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 meeting was elected as Chairman of the meetings to ensure an effective communication with the Shareholders at the meeting.

Further, under Code Provision A.4.3, serving more than 9 years could be relevant to the determination of a non-executive director's independence. Mr. Wang Qi has served as an Independent non-executive Director for more than 9 years. In compliance with Code Provision A.4.3, a resolution was proposed to approve the re-election of Mr. Wang Qi as an Independent non-executive Director and the resolution was passed at the annual general meeting of the Company held on 25 September 2015. The Company will continue to review the independence of Independent non-executive Directors annually and take all appropriate measures to ensure compliance of relevant provisions regarding independence of Independent non-executive Directors in the Listing Rules.

AUDIT COMMITTEE

The Audit Committee comprises three members, namely, Mr. Tsang Chi Hon (Chairman of the audit committee), Mr. Wang Qi and Mr. Ho Hin Yip, who are Independent non-executive Directors. The Audit Committee is primarily responsible for reviewing and providing supervision over the Group's financial reporting processes and internal controls. The Audit Committee comprises and will continue to comprise exclusively of Independent non-executive Directors in accordance with the requirements of the CG Code set out in Appendix 14 of the Main Board Listing Rules. The Group's unaudited consolidated results for the six months ended 30 September 2015 have been reviewed by the Audit Committee, which was of the opinion that such financial statements complied with the applicable accounting standards and that adequate disclosures have been made.

MODEL CODE FOR SECURITIES TRANSACTION 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 Directors and all of them have confirmed that they have complied with the Own Code and the Model Code throughout the six months ended 30 September 2015.

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

On behalf of the Board
Xinhua News Media Holdings Limited
Mr. Ju Mengjun
Co-chairman

Hong Kong, 27 November 2015