



XINHUA
media.

XINHUA NEWS MEDIA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 309



INTERIM REPORT
2016/2017

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ju Mengjun (*Co-chairman*)
Lo Kou Hong (*Co-chairman*)
Yu Guang
David Wei Ji
Wen Xin Nian

Independent Non-executive Directors

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*)
Tsang Chi Hon

EXECUTIVE COMMITTEE

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

CORPORATE GOVERNANCE COMMITTEE

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

COMPANY SECRETARY

Goh Choo Hwee

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountant

SOLICITORS

Ma Tang & Co. Solicitors

REGISTER OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

2nd Floor
5 Sharp Street West
Wan Chai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
22nd Floor
Hopewell Centre
183 Queen's Road East
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

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 2016 together with the unaudited comparative figures for the six months ended 30 September 2015 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 2016

	<i>Notes</i>	For the six months ended 30 September 2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Revenue	3	166,740	153,614
Other income and gains	4	1,563	825
Staff costs		(119,391)	(110,073)
Depreciation and amortisation	6	(2,273)	(5,550)
Other operating expenses		(47,759)	(41,653)
Finance costs	5	(18)	(25)
Share of profit of an associate		59	6
Loss before tax	6	(1,079)	(2,856)
Income tax expenses	7	(381)	(176)
Loss for the period		(1,460)	(3,032)
Other comprehensive loss			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations, net of tax		(469)	(507)
Total comprehensive loss for the period		(1,929)	(3,539)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(continued)

For the six months ended 30 September 2016

		For the six months ended 30 September 2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
	<i>Note</i>		
(Loss)/profit attributable to:			
Owners of the Company		(1,618)	(2,801)
Non-controlling interests		158	(231)
		(1,460)	(3,032)
Total comprehensive loss attributable to:			
Owners of the Company		(1,846)	(3,076)
Non-controlling interests		(83)	(463)
		(1,929)	(3,539)
Loss per share attributable to ordinary equity holders of the Company			
Basic and diluted	8	HK\$(0.0012)	HK\$(0.0020)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2016

		30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	9	21,516	23,059
Intangible assets	10	9,494	10,269
Investment in an associate		789	730
Total non-current assets		31,799	34,058
Current assets			
Inventories		486	308
Amount due from an associate	19(b)	-	240
Trade receivables	11	48,608	45,551
Prepayments, deposits and other receivables	12	43,601	46,801
Pledged time deposits	13	2,027	2,025
Cash and cash equivalents		64,304	55,744
Total current assets		159,026	150,669
LIABILITIES			
Current liabilities			
Trade payables	14	9,997	5,914
Other payables and accrued liabilities		35,612	32,254
Finance lease payables	15	378	371
Tax payable		409	413
Total current liabilities		46,396	38,952
Net current assets		112,630	111,717
Total assets less current liabilities		144,429	145,775

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 September 2016

		30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
	<i>Notes</i>		
Non-current liabilities			
Loans from a director	19(b)	6,223	6,417
Finance lease payables	15	648	838
Provision for long service payments		5,183	3,850
Deferred income		4,514	4,880
Total non-current liabilities		16,568	15,985
Net assets		127,861	129,790
CAPITAL AND RESERVES			
Share capital	16	13,675	13,675
Reserves		118,077	119,923
Equity attributable to owners of the Company		131,752	133,598
Non-controlling interests		(3,891)	(3,808)
Total equity		127,861	129,790

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

	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 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
At 1 April 2016 (Audited)	13,675	469,527*	254*	47,063*	-*	26,758*	(435,586)*	11,907*	133,598	(3,808)	129,790
(Loss)/profit for the period	-	-	-	-	-	-	(1,618)	-	(1,618)	158	(1,460)
Other comprehensive loss for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(228)	(228)	(241)	(469)
Total comprehensive loss for the period	-	-	-	-	-	-	(1,618)	(228)	(1,846)	(83)	(1,929)
At 30 September 2016 (Unaudited)	13,675	469,527*	254*	47,063*	-*	26,758*	(437,204)*	11,679*	131,752	(3,891)	127,861

* These reserve accounts comprise the consolidated reserves of approximately HK\$118,077,000 (31 March 2016: approximately HK\$119,923,000) in the condensed consolidated statement of financial position as at 30 September 2016.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2016

	For the six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Net cash generated from/(used in) operating activities	9,642	(1,199)
Net cash used in investing activities	(726)	(4,249)
Net cash used in financing activities	(184)	(2,678)
Net increase/(decrease) in cash and cash equivalents	8,732	(8,126)
Cash and cash equivalents at the beginning of the period	55,744	62,778
Effect of foreign exchange rate changes on the balance of cash held in foreign currencies	(172)	(87)
Cash and cash equivalents at the end of the period	64,304	54,565
Analysis of balances of cash and cash equivalents		
Cash and bank balances	64,250	54,511
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	64,304	54,565

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2016

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2016 ("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 2016, 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 2016. A summary of the new HKFRSs are set out as below:

HKFRS 14	Regulatory Deferral Accounts
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception

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:

- (a) the cleaning and related services segment engages in the provision of cleaning and related services for office buildings, public areas and residential areas;
- (b) the television screen broadcast business segment engages in the provision of publicly broadcasting information and advertisements on television screens services;

3. OPERATING SEGMENT INFORMATION (continued)

- (c) the medical waste treatment segment engages in the provision of non-incineration medical waste handling services for hospitals; and
- (d) the waste treatment business segment engages in the provision of organic waste treatment and sale of the by-products produced.

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.

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

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

There are no intersegment sales and transfers between the segments.

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

	For the six months ended 30 September 2016				
	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	160,363	-	6,326	51	166,740
Other income and gains	55	-	221	-	276
Total	160,418	-	6,547	51	167,016
Segment results	8,776	(5,979)	1,988	(973)	3,812
Reconciliation:					
Interest income					568
Share of results of an associate					59
Unallocated income					719
Unallocated expenses					(6,219)
Finance costs					(18)
Loss before tax					(1,079)
Income tax expenses					(381)
Loss for the period					(1,460)

3. OPERATING SEGMENT INFORMATION (continued)

	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
Share of result of an associate					6
Unallocated expenses					(9,394)
Finance costs					(25)
Loss before tax					(2,856)
Income tax expenses					(176)
Loss for the period					(3,032)

4. OTHER INCOME AND GAINS

	For the six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income	568	549
Amortisation of deferred income	221	235
Dividend income from an associate	720	-
Net gain on disposal of property, plant and equipment	9	-
Management fee received	30	30
Sundry income	15	11
	1,563	825

5. FINANCE COSTS

	For the six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on finance leases	18	25

6. LOSS BEFORE TAX

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

	For the six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of services rendered	143,353	124,586
Depreciation	1,804	1,484
Amortisation of intangible assets	469	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 2015: 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% (30 September 2015: 25%) on its assessable profits.

	For the six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax		
Hong Kong	-	-
The PRC	381	176
	381	176

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 2016 would not be distributed in the foreseeable future.

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 (2015: 1,367,486,040) 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 2016 and 2015 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	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss		
Loss attributable to ordinary equity holders of the Company used in the basic and diluted loss per share calculation	(1,618)	(2,801)

	Number of shares	
	2016	2015
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	1,367,486,040

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2016, the Group acquired items of property, plant and equipment with a cost of approximately HK\$771,000 (30 September 2015: HK\$3,208,000). Items of property, plant and equipment with carrying amount of approximately HK\$11,000 were disposed during the six months ended 30 September 2016 (30 September 2015: HK\$23,000), resulting in a net gain on disposal of property, plant and equipment of approximately HK\$9,000 (30 September 2015: net loss on disposal of property, plant and equipment of approximately HK\$23,000).

10. INTANGIBLE ASSETS

	Medical waste treatment HK\$'000	Free right HK\$'000	Total HK\$'000
Cost			
At 31 March 2016 (Audited)	33,455	151,286	184,741
Exchange realignment	(1,014)	–	(1,014)
At 30 September 2016 (Unaudited)	32,441	151,286	183,727
Accumulated amortisation and impairment			
At 31 March 2016 (Audited)	23,186	151,286	174,472
Amortisation during the period	469	–	469
Exchange realignment	(708)	–	(708)
At 30 September 2016 (Unaudited)	22,947	151,286	174,233
Carrying amount			
At 30 September 2016 (Unaudited)	9,494	–	9,494
At 31 March 2016 (Audited)	10,269	–	10,269

11. TRADE RECEIVABLES

	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Trade receivables	78,608	75,551
Less: Impairment loss recognised on trade receivables	(30,000)	(30,000)
	48,608	45,551

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

11. TRADE RECEIVABLES (continued)

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

	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Within 30 days	26,692	26,066
31 to 60 days	16,905	14,325
61 to 90 days	4,319	4,192
91 to 120 days	181	429
Over 120 days	511	539
	48,608	45,551

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

At 30 September 2016, included in other receivables was a loan receivable amount to approximately HK\$18,000,000 (31 March 2016: approximately HK\$18,000,000) and compensation for liquidated damages under remedial agreement amount to approximately HK\$16,800,000 (31 March 2016: approximately HK\$16,800,000). The loan receivable was advanced to a company not connected to the Group and is unsecured and recoverable on demand. The loan receivable is charged at an interest rate of 6% per annum and the negotiation for the repayment date of the loan is being taken place. The compensation for liquidated damages under remedial agreement was a liquidated damages from Xinhua News Agency Asia-Pacific Regional Bureau Limited ("APRB"), which is our substantial shareholder and a connected party of the Company, under the Further Undertaking of the Cooperation Agreement. As at the date of this interim report, our Company is in negotiation with APRB for the detail of the settlement.

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\$2,027,000 (31 March 2016: HK\$2,025,000), and the building of a related company which is controlled by a director of the Company.

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 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Within 30 days	5,337	5,309
31 to 60 days	4,378	76
61 to 90 days	-	60
Over 90 days	282	469
	9,997	5,914

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 2 to 3 years.

At 30 September 2016 and 31 March 2016, the total future minimum lease payments under finance leases are as follows:

	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Amounts payable:		
Within one year	404	404
In the second year	404	404
In the third to fifth year, inclusive	261	462
Total minimum finance lease payments	1,069	1,270
Future finance charges	(43)	(61)
Total net finance lease payables	1,026	1,209
Portion classified as current liabilities	(378)	(371)
Non-current portion	648	838

16. SHARE CAPITAL

	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Authorised: 2,000,000,000 (31 March 2016: 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 2016: 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 2016 and 30 September 2016	1,367,486,040	13,675

Employee share option scheme

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:

- (i) The Group has executed performance guarantees to the extent of an aggregate amount of HK\$16,091,000 (31 March 2016: HK\$16,824,000) 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\$8,471,000 as at 30 September 2016 (31 March 2016: HK\$6,686,000). 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\$5,183,000 (31 March 2016: HK\$3,850,000) in respect of such payments has been made in the condensed consolidated statement of financial position as at 30 September 2016.
- (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 2016 and 31 March 2016.

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 2 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 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Within one year	3,475	3,832
In the second to fifth years, inclusive	2,293	4,009
	5,768	7,841

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 2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Management fee income from a related company (Note)	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.

Other receivables

As at 30 September 2016, included in other receivables was a compensation for liquidated damages under remedial agreement from APRB amount to HK\$16,800,000 (31 March 2016: HK\$16,800,000), which is our substantial shareholder and a connected party of the Company.

19. RELATED PARTY TRANSACTIONS (continued)

(b) (continued)

Loans from a director

As at 30 September 2016, the loans from a director amounted to approximately HK\$6,223,000 (31 March 2016: HK\$6,417,000) are unsecured, interest-free and not repayable within the next twelve months.

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

	For the six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short term employee benefits	1,889	1,493
Post-employment benefits	54	43
Total compensation paid to key management personnel	1,943	1,536

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 2016 and 2015.

(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 30 November 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

The Group's turnover from continuing operations for the six months ended 30 September 2016 amounted to approximately HK\$166,740,000 (30 September 2015: HK\$153,614,000) represented a 8.5% increase as compared to the same period last year. The loss of the Group for the six months ended 30 September 2016 was approximately HK\$1,460,000 (30 September 2015: HK\$3,032,000). Cleaning and related services business made a profit of approximately HK\$8,776,000, the medical waste treatment business made a profit of approximately HK\$1,988,000, the waste treatment business made a loss of approximately HK\$973,000 and the television screen broadcast business made a loss of approximately HK\$5,979,000.

FINANCIAL REVIEW

As at 30 September 2016, the Group's cash and cash equivalents and pledged time deposits totalled approximately HK\$66,331,000 (31 March 2016: HK\$57,769,000) and its current ratio was 3.43 (31 March 2016: 3.87). The Group's net assets were approximately HK\$127,861,000 (31 March 2016: HK\$129,790,000).

As at 30 September 2016, the Group did not have any bank borrowings but the Group has finance lease payables and loans from a director of approximately HK\$1,026,000 and HK\$6,223,000 respectively (31 March 2016: HK\$1,209,000 and HK\$6,417,000) and therefore, its gearing ratio, representing ratio of finance lease payables and loans from a director to shareholders' equity was 5.7% (31 March 2016: 5.9%). The Group's shareholders' equity amounted to approximately HK\$127,861,000 as at 30 September 2016 (31 March 2016: HK\$129,790,000).

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 2016, the Group's banking facilities were secured by the pledge of certain Group's time deposits amounting to approximately HK\$2,027,000 (31 March 2016: HK\$2,025,000).

BUSINESS REVIEW

Television screen broadcast business

In the past six months, the Group continues to experience adverse macro-economic conditions in the advertising space. The decrease in total number of mainland visitors has had significant impact on the retail sector. As a result, this has had a direct negative impact in the retail advertising space, in particular, the LED advertising space. Furthermore, the recent trend of mobile advertising has shifted the attention away from tradition forms of advertising. Thus, the Group continues to experience a sharp decrease in potential advertising revenue relative to the high fixed costs of LED screen rental.

The Group has been in continued discussions with APRB in relation to the treatment of the shortfall of the further undertaking. Discussions are still ongoing and are concentrated on the options, timing, and methods of repayment. The Group expects to come to an agreement with APRB in the near future.

Despite the aforementioned difficulties, the Group will continue to take an opportunistic approach to further explore investment and partnership opportunities in this space.

Cleaning and Related Services

Labour force is the life-blood of cleaning services. Hong Kong population ageing resulting in the strained labour supply makes it imperative for the Group to define our human resource recruitment strategies. The Group has thus introduced different measures to attract and retain new arrivals, ethnic minorities and people with disabilities to join our workforce and we have achieved results to a certain degree.

During the reporting period, the Group was able to attain steady growth in the business. We were able to renew two 2-year contracts for warewash and general cleaning services with a leading flight kitchen as well as to successfully bid for two new contracts for the same services for their Phase 2 development which was completed and put into operation in the fourth quarter of 2016.

Several major contracts were renewed during the period including three for two renowned shopping arcades and one Grade-A office building in Causeway Bay and Kowloon Bay.

Our co-operation with a hospital management establishment in the provision of external wall, window glazing and overhead facility cleaning, some of the works having to be carried out during unsocial hours, continued. In the past 6 months, cleaning of external wall of 2 hospitals, one being the biggest in Hong Kong, was completed on schedule and to the satisfaction of that management establishment and the hospitals. Our effort in extending our services to hospitals and sanatoriums is taking shape.

In early 2016, the Group came into association with one of the biggest low-rise housing developments in Tai Po in providing periodic cleaning and removal of undergrowth of slopes, water-catchers and various landscaped area. All these works call for stringent safety management and special briefing had been given to the service teams assigned as regards safety and health at work.

Series of stone care and maintenance products formulated and manufactured by our Italian business partner continued to derive high appraisal in the market. This was evidenced by the sale volume.

During the period, Faber China Limited, an associate of the Group which business was in the trading of professional cleaning products and marble-care products, ceased business.

To thrive in an increasingly competitive environment, we must keep abreast with the latest pest management technologies and the pesticides to be employed which will cause minimum impact to the environment but carry effective extermination results. This is a trend in the industry. For this reason, our Technical Manager has been assigned to join forums held overseas – Australia, South Korea and elsewhere so that we are well in pace with the contemporary treatment skills and products.

Medical wastes treatment business

The Group operates two medical treatment plants in the PRC, one in Siping City and the other in Suihua City. Both are operating smoothly during the reporting period.

Waste treatment business

The Group is continuing in looking for suitable options in respect of this investment

PROSPECTS

Television screen broadcast business

The Group still holds exclusive broadcasting rights granted by APRB for the duration of another four and half years. The Group also holds contracts to several high profile LED locations such as Hung Hom Train Station and KTT train. The Group still value these investments as a solid foundation in which to build upon.

In the New Calendar Year, the Group will start to explore and to expand into other areas of businesses such as newspapers, magazines, online-mobile advertising and others. These other forms of traditional and non-traditional advertising channels can create great synergy with the Group's existing advertising platform. The Group will continue to take a prudent and opportunistic approach when targeting future potential investments in the advertising space.

Cleaning and related business

The unexpected result of referendum in Britain to exit from the European Union; the surprised outcome of the United States' presidential election and the possible end of the low interest rate era in the near future have been causes for concern. The impact remains to be seen. As for the macro picture, we believe that Hong Kong will still benefit from Mainland's financial market liberalisation.

Hong Kong will face many challenges but also opportunities in the period ahead. Nonetheless, given our viable and stable workforce; long established confidence and association with many of our major customers; our standing in the sector and most important, our reliable and efficient services, we are confident that the Group will be able to moderately expand our market share in the coming year.

INTERIM DIVIDEND

The Board does not recommend the payment of any dividend to shareholders for the six months ended 30 September 2016 (30 September 2015: Nil).

CONTINGENT LIABILITIES

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

- (a) The Group has executed performance guarantees to the extent of an aggregate amount of approximately HK\$16,091,000 (31 March 2016: HK\$16,824,000) 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\$8,471,000 as at 30 September 2016 (31 March 2016: HK\$6,686,000). 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\$5,183,000 (31 March 2016: HK\$3,850,000) in respect of such payments has been made in the condensed consolidated statement of financial position as at 30 September 2016.
- (c) During the ordinary course of its business, the Group may from time to time be involved in litigation concerning personal injuries sustained by its employees or third party claimants. The Group maintains insurance cover and, in the opinion of the directors, based on current evidence, any such existing claims should be adequately covered by the insurance as at 30 September 2016 and 31 March 2016.

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees of the Group as at 30 September 2016 was 1,695 (31 March 2016: 1,609). Total staff costs, including Directors' emoluments and net pension contributions, for the period under review amounted to HK\$119,391,000 (30 September 2015: HK\$110,073,000). 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.

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 2016.

SHARE OPTIONS

The share option scheme (the "Share Option Scheme") of the Company was approved and adopted by the shareholders in the annual general meeting of the Company dated 25 September 2015 and shall be valid and effective for a period of 10 years to 24 September 2025.

According to the Share Option Scheme, the Board may at its absolute discretion, offer to grant option to any participant as the Board may think fit. For the purpose of this section, participants refers to (i) any eligible employee as stated in the Share Option Scheme; (ii) any non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or any entity in which the Group holds any equity (the "Invested Entity"); (iii) any supplier of goods or services to the member of the Group or any Invested Entity; (iv) any customer of the Group or any Invested Entity; (v) any consultant, adviser, legal consultant, legal adviser, agent and contractor engaged by the Company, the Group or any Invested Entity; any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and any other classes of participants who have contributed or may contribute, whether by way of joint venture, business alliance, other business arrangement, or otherwise, to the development and growth of Group.

The purpose of the Share Option Scheme is to provide incentives or rewards to participants thereunder for their contribution to the Group and to encourage the participants to perform their best in achieving the goals of the Group and at the same time allow the participants to enjoy the results of the Company attained through their efforts and contributions and to enable the Group to recruit and retain high-caliber employees and attract human resources that are valuable to the Group and any Invested Entity.

The subscription price in respect of any particular option shall be such price as determined by the Board in its absolute discretion at the time of the grant of the options but in any case the subscription price shall not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of grant; or (iii) the nominal value of a share.

The maximum number of shares which may be issued upon exercise of all options which may be granted at any time under this Share Option Scheme together with options which may be granted under any other share option schemes for the time being of the Company shall not exceed such number of shares as equals 10 per cent of the issued share capital of the Company as at the date of approval of the Share Option Scheme.

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company to each participant in any 12-month period must not exceed 1 per cent of the total issued share capital of the Company for the time being. Any further grant of options to a participant in excess of the abovementioned limit in any 12-month period up to and including the date of such further grant must be subject to the shareholders' approval in general meeting of the Company with such participant and his associates abstaining from voting.

As at 30 September 2016 and up to the date of this report, 80,675,400 share options were outstanding under the Share Option Scheme, which were fully vested and are exercisable. Movements of the share options during the period of the six months ended 30 September 2016 are listed below in accordance with chapter 17 of the Listing Rules:

Categories	As at	During the period			As at	Note
	1 April 2016	Granted	Lapsed	Exercised/ Cancelled	30 September 2016	
Directors						
Mr. Ju Mengjun	-	13,674,000	-	-	13,674,000	1
Dr. Lo Kou Hong	-	13,674,000	-	-	13,674,000	1
Mr. Yu Guang	-	1,367,400	-	-	1,367,400	1
Mr. David Wei Ji	-	13,674,000	-	-	13,674,000	1
Mr. Wen Xin Nian	-	13,674,000	-	-	13,674,000	1
Mr. Ho Hin Yip	-	1,367,000	-	-	1,367,000	1
Mr. Wang Qi	-	1,367,000	-	-	1,367,000	1
Mr. Tsang Chi Hon	-	1,367,000	-	-	1,367,000	1
Sub-total	-	60,164,400	-	-	60,164,400	
Continuous Contracts						
Employees	-	13,674,000	-	-	13,674,000	1
All other eligible participants	-	6,837,000	-	-	6,837,000	1
Sub-total	-	20,511,000	-	-	20,511,000	
Total	-	80,675,400	-	-	80,675,400	

Note:

- The share options were granted and deemed to be accepted on 29 September 2016 and are exercisable at any time during the period from 29 September 2016 to 28 September 2026 (both days inclusive) and the exercise price is HK\$0.1882.

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

As at 30 September 2016, the interests of the directors of the Company in the shares and underlying shares of the Company and its associated corporations as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance (the "SFO"); or as otherwise notified to the Company and the Stock Exchange 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 (approximately)
Mr. Ju Mengjun	Long	Beneficial Owner	13,674,000 <i>(Note 3)</i>	1%
Dr. Lo Kou Hong	Long	Beneficial Owner	53,674,000 <i>(Note 3)</i>	3.93%
	Long	Interest of spouse	2,105,000 <i>(Note 2)</i>	0.12%
Mr. Yu Guang	Long	Beneficial Owner	1,367,400 <i>(Note 4)</i>	0.1%
	Long	Interest of a controlled corporation	133,387,000 <i>(Note 1)</i>	9.75%
Mr. David Wei Ji	Long	Beneficial Owner	13,674,000 <i>(Note 3)</i>	1%
Mr. Wen Xin Nian	Long	Beneficial Owner	13,674,000 <i>(Note 3)</i>	1%
Mr. Tsang Chi Hon	Long	Beneficial Owner	1,367,000 <i>(Note 5)</i>	0.1%
Mr. Wang Qi	Long	Beneficial Owner	1,367,000 <i>(Note 5)</i>	0.1%
Mr. Ho Hin Yip	Long	Beneficial Owner	1,367,000 <i>(Note 5)</i>	0.1%

Notes:

- (1) These shares were beneficially owned by Pan Asia Century Consulting Limited ("PAC Consulting") the entire issued share capital of which was wholly owned by Huian International Investment Limited ("Huian"). The entire issued share capital of Huian was beneficially owned by Mr. Yu Guang. Accordingly, Mr. Yu Guang was deemed to be interested in such shares through these controlled corporations pursuant to Part XV of the SFO. Although Ms. Zhang Li does not personally and beneficially own any interest in the Company, she was deemed to be interested by virtue of her being the wife of Mr. Yu Guang.
 - (2) Dr. Lo Kou Hong was deemed to be interested in the 2,105,000 shares of the Company through interest of the spouse, Ms. Ko Lok Ping, Maria Genoveffa, who personally and beneficially owns such 2,105,000 shares of the Company.
 - (3) 13,674,000 of these shares would be allotted and issued upon exercise in full of the outstanding share options granted to each of the executive Directors, namely Mr. Ju Mengjun, Dr. Lo Kou Hong, Mr. David Wei Ji and Mr. Wen Xin Nian respectively by the Company under its share option scheme, details of which are set out in note 6 below, as at 30 September 2016.
 - (4) 1,367,400 of these shares would be allotted and issued upon exercise in full of the outstanding share options granted to the executive Director, Mr. Yu Guang by the Company under its share option scheme, details of which are set out in note 6 below, as at 30 September 2016.
 - (5) 1,367,000 of these shares would be allotted and issued upon exercise in full of the outstanding share options granted to each of the independent non-executive Directors, namely Mr. Tsang Chi Hon, Mr. Wang Qi and Mr. Ho Hin Yip respectively by the Company under its share option scheme, details of which are set out in note 6 below, as at 30 September 2016.
 - (6) On 29 September 2016, share options were granted by the Company under its share option scheme, which was adopted on 25 September 2015 and will be valid until 24 September 2025, to, among other eligible participants, the Directors. These share options, all of which remained outstanding as at 30 September 2016, are exercisable at a price of HK\$0.1882 per share during the exercise periods. Details of these share options are disclosed in the paragraph headed "Share Option Scheme" on pages 23 to 24 of this Interim Report.
- * The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 September 2016.

B.(1) ASSOCIATED CORPORATION – PEIXIN GROUP LIMITED (“PEIXIN”), A SUBSIDIARY OF THE COMPANY

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

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

* The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 30 September 2016.

B.(2) ASSOCIATED CORPORATION – SHUYANG ITAD ENVIRONMENT TECHNOLOGY LIMITED (“SHUYANG ITAD”), A SUBSIDIARY OF THE COMPANY

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

Note: The entire registered capital in Shuyang ITAD was beneficially owned by Peixin and 42 shares in Peixin were beneficially owned by a controlled corporation of Dr. Lo Kou Hong and Ms. Ko Lok Ping, Maria Genoveffa in equal shares. Such 42 shares in Peixin represent 30% of the entire issued share capital on Peixin. As such, Dr. Lo Kou Hong and Ms. Ko Lok Ping, Maria Genoveffa were deemed to be interested in such registered capital pursuant to Part XV of the SFO.

* The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 30 September 2016.

In addition to the above, as at 30 September 2016, Dr. Lo Kou Hong held one share in a subsidiary of the Company in a non-beneficial capacity, solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, as at 30 September 2016, none of the Directors had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, nor had there been any grant or exercise of rights of such interests during the year ended 30 September 2016.

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

As at 30 September 2016, 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
Xinhua News Agency Asia-Pacific Regional Bureau Limited ("APRB")	Long	Beneficial owner	214,681,040	15.70%
Xinhua News Agency Asia-Pacific Regional Bureau	Long	Interest held by controlled corporation	214,681,040 <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%

Notes:

- (1) These shares were owned by APRB, the entire issued share capital of which was owned by Xinhua News Agency Asia-Pacific Regional Bureau. Accordingly, Xinhua News Agency Asia-Pacific Regional Bureau was deemed to be interested in such shares pursuant to Part XV of the SFO.
- (2) These shares were beneficially owned by PAC Consulting which was wholly owned by Huian. Accordingly, Huian was deemed to be interested in such shares pursuant to Part XV of the SFO. The entire issued share capital of Huian was beneficially owned by Mr. Yu Guang. Accordingly, Mr. Yu Guang was deemed to be interested in such shares pursuant to Part XV of the SFO, which is also disclosed as the interest of Mr. Yu Guang in the above section headed "Directors' Interests in the Shares and Underlying Shares of the Company and its Associated Corporations".
- * The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 September 2016.

CONNECTED TRANSACTION

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

Pursuant to the Remedial Agreement, Asia-Pacific Regional Bureau has undertaken to the Company that the aggregate Audited Operating Revenue for the two financial years ending 31 March 2016 would be no less than HK\$170,000,000. The Board announces that, the aggregate Audited Operating Revenue for the two financial years ending 31 March 2016 was HK\$30,000,000, which was less than HK\$170,000,000, according to the audited consolidated financial statements for the year ended 31 March 2016 which were finalised and announced on 22 June 2016 and therefore the Further Undertaking was not fulfilled. As a result, Asia-Pacific Regional Bureau is liable to pay to the Company as liquidated damages a sum equivalent to 12% of the shortfall of the Further Undertaking, being HK\$16,800,000, as shown in the item headed other receivable under the audited consolidated financial statements for the year ended 31 March 2016, within one month of written request by the Company.

At the date of this interim report, the Company has not yet issued such written request but is in negotiation with Asia-Pacific Regional Bureau for the details of the settlement.

Save as disclosed above, as at 30 September 2016, 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 2016 were as follows:

Mr. Yan Liang resigned as an executive Director and a member of the strategy and development committee and corporate governance committee under the Board with effect from 8 July 2016.

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

Throughout the six months ended 30 September 2016, 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. Tsang Chi Hon, the independent non-executive Director, could not attend the annual general meeting of the Company held on 30 September 2016 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.

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 Main Board 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 2016 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 2016.

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
Ju Mengjun
Co-chairman

Hong Kong, 30 November 2016