

The logo for XINHUA media. is displayed in white text on a solid blue rectangular background. The word "XINHUA" is in a bold, uppercase sans-serif font, and "media." is in a lowercase sans-serif font below it.

XINHUA
media.

XINHUA NEWS MEDIA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 309

2017/2018
INTERIM REPORT

The background of the cover is a vibrant blue gradient. It features a complex network of white and light blue lines and dots, resembling a globe or a data network. Several white arrows point outwards from the center, and there are faint, semi-transparent circular patterns and grid lines overlaid on the scene, creating a sense of motion and technology.

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

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

1401-1405
Nan Fung Tower
88 Connaught Road Central
Central
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 2017 together with the unaudited comparative figures for the six months ended 30 September 2016 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 2017

	Notes	For the six months ended 30 September 2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Revenue	3	172,899	166,740
Other income and gains	4	977	1,563
Staff costs		(123,246)	(119,391)
Depreciation and amortisation	6	(2,329)	(2,273)
Other operating expenses		(55,007)	(47,759)
Finance costs	5	(31)	(18)
Share of results of an associate		(1)	59
Loss before income tax	6	(6,738)	(1,079)
Income tax expenses	7	(876)	(381)
Loss for the period		(7,614)	(1,460)
Other comprehensive income/(loss) <i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations, net of tax		631	(469)
Total comprehensive loss for the period		(6,983)	(1,929)
(Loss)/profit attributable to:			
Owners of the Company		(7,775)	(1,618)
Non-controlling interests		161	158
		(7,614)	(1,460)
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(7,464)	(1,846)
Non-controlling interests		481	(83)
		(6,983)	(1,929)
Loss per share attributable to owners of the Company	8		
Basic and diluted		HK\$(0.0055)	HK\$(0.0012)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2017

	Notes	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	20,084	18,990
Intangible assets	10	8,734	8,757
Investment in an associate		3	4
Total non-current assets		28,821	27,751
Current assets			
Inventories		478	326
Trade receivables	11	52,423	46,914
Prepayments, deposits and other receivables	12	46,958	46,115
Pledged time deposits	13	2,041	2,035
Cash and cash equivalents		61,324	54,746
Total current assets		163,224	150,136
LIABILITIES			
Current liabilities			
Trade payables	14	10,382	9,791
Other payables and accrued liabilities		33,877	30,070
Amount due to an associate	19(b)	4	4
Finance lease payables	15	524	384
Tax payable		595	585
Total current liabilities		45,382	40,834
Net current assets		117,842	109,302
Total assets less current liabilities		146,663	137,053

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 September 2017

		30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
	<i>Notes</i>		
Non-current liabilities			
Loans from a director	19(b)	6,282	6,035
Finance lease payables	15	764	454
Provision for long service payments		7,432	5,922
Deferred income		4,116	4,166
Total non-current liabilities		18,594	16,577
Net assets		128,069	120,476
EQUITY			
Equity attributable to owners of the Company			
Share capital	16	14,449	13,675
Reserves		116,589	110,251
Non-controlling interests		131,038 (2,969)	123,926 (3,450)
Total equity		128,069	120,476

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	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 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)	(449)
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
At 1 April 2017 (Audited)	13,675	469,527*	254*	47,063*	8,793*	26,758*	(453,619)*	11,475*	123,926	(3,450)	120,476
(Loss)/profit for the period	-	-	-	-	-	-	(7,775)	-	(7,775)	161	(7,614)
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	311	311	320	631
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(7,775)	311	(7,464)	481	(6,983)
Issue of shares (Note 16)	774	22,237	-	-	(8,435)	-	-	-	14,576	-	14,576
At 30 September 2017 (Unaudited)	14,449	491,764*	254*	47,063*	358*	26,758*	(461,394)*	11,786*	131,038	(2,969)	128,069

* These reserve accounts comprise the consolidated reserves of approximately HK\$116,589,000 (31 March 2017: approximately HK\$110,251,000) in the condensed consolidated statement of financial position as at 30 September 2017.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	For the six months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Net cash (used in)/generated from operating activities	(6,028)	9,642
Net cash used in investing activities	(1,934)	(726)
Net cash generated from/(used in) financing activities	14,281	(184)
Net increase in cash and cash equivalents	6,319	8,732
Cash and cash equivalents at the beginning of the period	54,746	55,744
Effect of foreign exchange rate changes on the balance of cash held in foreign currencies	259	(172)
Cash and cash equivalents at the end of the period	61,324	64,304
Analysis of balances of cash and cash equivalents		
Cash and bank balances	49,758	64,250
Non-pledged time deposits with original maturity of less than three months when acquired	11,566	54
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	61,324	64,304

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2017

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2017 ("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 2017, 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 interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA, which are effective and relevant to the Group's financial period beginning on 1 April 2017. A summary of the amended HKFRSs are set out as below:

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKFRS 12 included in <i>Annual Improvements 2014-2016 Cycle</i>	<i>Disclosure of Interest in Other Entities</i>

The application of the above amended 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.

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

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

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

There are no inter-segment sales and transfers between the segments.

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

	For the six months ended 30 September 2017				
	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	164,960	-	7,871	68	172,899
Other income and gains	40	-	283	74	397
Total	165,000	-	8,154	142	173,296
Segment results	5,573	(5,326)	2,807	(1,132)	1,922
Reconciliation:					
Interest income					580
Share of results of an associate					(1)
Unallocated expenses					(9,208)
Finance costs					(31)
Loss before income tax					(6,738)
Income tax expenses					(876)
Loss for the period					(7,614)

3. OPERATING SEGMENT INFORMATION (continued)

	For the six months ended 30 September 2016				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	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 income tax					(1,079)
Income tax expenses					(381)
Loss for the period					(1,460)

4. OTHER INCOME AND GAINS

	For the six months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Interest income	580	568
Amortisation of deferred income	218	221
Dividend income from an associate	-	720
Net gain on disposal of property, plant and equipment	-	9
Management fee received	30	30
Sundry income	149	15
	977	1,563

5. FINANCE COSTS

	For the six months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Interest on finance leases	31	18

6. LOSS BEFORE INCOME TAX

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

	For the six months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Cost of services rendered	155,355	143,353
Depreciation of property, plant and equipment	1,864	1,804
Amortisation of intangible assets	465	469
Loss on written off of property, plant and equipment	25	-

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 2016: 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 2016: 25%) on their assessable profits.

	For the six months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Current tax		
Hong Kong	-	-
The PRC	876	381
	876	381

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 2017 would not be distributed in the foreseeable future.

8. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share is based on the loss for the period attributable to owners of the Company, and the weighted average number of ordinary shares of 1,412,452,013 (30 September 2016: 1,367,486,040) in issue during the period.

The diluted loss per share is the same as the basic loss per share for the six months ended 30 September 2017 and 2016 because the Company's share option outstanding during these periods was anti-dilutive.

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

	For the six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss		
Loss attributable to owners of the Company used in the basic and diluted loss per share calculation	(7,775)	(1,618)

	Number of shares	
	2017	2016
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculation	1,412,452,013	1,367,486,040

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2017, the Group acquired items of property, plant and equipment with a cost of approximately HK\$2,420,000 (30 September 2016: HK\$771,000). Items of property, plant and equipment with carrying amount of approximately HK\$25,000 were written off during the six months ended 30 September 2017 (30 September 2016: approximately HK\$11,000 were disposed of), resulting in a loss on written off of property, plant and equipment of approximately HK\$25,000 (30 September 2016: net gain on disposal of property, plant and equipment of approximately HK\$9,000).

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 2017 (Audited)	31,464	151,286	182,750
Additions	88	–	88
Exchange realignment	1,285	–	1,285
At 30 September 2017 (Unaudited)	32,837	151,286	184,123
Accumulated amortisation and impairment			
At 31 March 2017 (Audited)	22,707	151,286	173,993
Amortisation during the period	465	–	465
Exchange realignment	931	–	931
At 30 September 2017 (Unaudited)	24,103	151,286	175,389
Carrying amount			
At 30 September 2017 (Unaudited)	8,734	–	8,734
At 31 March 2017 (Audited)	8,757	–	8,757

11. TRADE RECEIVABLES

	30 September 2017 (Unaudited) <i>HK\$'000</i>	31 March 2017 (Audited) <i>HK\$'000</i>
Trade receivables	84,123	78,614
Less: Impairment loss recognised on trade receivables	(31,700)	(31,700)
	52,423	46,914

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 the 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 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Within 30 days	26,984	29,699
31 to 60 days	17,199	13,605
61 to 90 days	6,123	3,145
91 to 120 days	325	47
Over 120 days	1,792	418
	52,423	46,914

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Prepayments	3,948	2,260
Deposits	3,828	4,948
Other receivables (Note)	39,182	38,907
	46,958	46,115

Note: At 30 September 2017, included in other receivables was a loan receivable amounted to approximately HK\$18,000,000 (31 March 2017: approximately HK\$18,000,000) and compensation for liquidated damages under remedial agreement amounted to approximately HK\$16,800,000 (31 March 2017: 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. The Group had multiple communications in request for a full settlement. As of the date of this interim report, the Group has issued a demand letter to request the full settlement of all outstanding amount. The compensation for liquidated damages under remedial agreement was a liquidated damages from Xinhua News Agency Asia-Pacific Regional Bureau Limited ("APRB"), which is a 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, the Company is still in negotiation with APRB in order to finalise details 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\$2,041,000 (31 March 2017: HK\$2,035,000), 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 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Within 30 days	5,852	5,843
31 to 60 days	4,255	3,662
61 to 90 days	-	-
Over 90 days	275	286
	10,382	9,791

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 1 to 4 years (31 March 2017: from 1 to 2 years).

At 30 September 2017 and 31 March 2017, the total future minimum lease payments under finance leases are as follows:

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Amounts payable:		
Within one year	565	404
In the second year	420	337
In the third to fifth year, inclusive	389	125
Total minimum finance lease payments	1,374	866
Future finance charges	(86)	(28)
Total net finance lease payables	1,288	838
Portion classified as current liabilities	(524)	(384)
Non-current portion	764	454

16. SHARE CAPITAL

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Issued and fully paid:		
1,444,927,040 (31 March 2017: 1,367,486,040) ordinary shares of HK\$0.01 each	14,449	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 follows:

	Number of shares in issue	Issued capital HK\$'000
Issued:		
At 31 March 2017 and 1 April 2017 (Audited)	1,367,486,040	13,675
Share options exercised	77,441,000	774
At 30 September 2017 (Unaudited)	1,444,927,040	14,449

Employee share option scheme

During the period, 77,441,000 share options were exercised to subscribe for 77,441,000 ordinary shares for a total cash consideration of approximately HK\$14,576,000. An amount of approximately HK\$8,435,000 was transferred out from the share option reserve. Further, 1,367,000 share options were exercised on 28 September 2017 to subscribe for 1,367,000 ordinary shares, which were allotted and issued on 12 October 2017, for a cash consideration of approximately HK\$257,000. The directors of the Company considered the share issue expenses in relation to the exercise of options are not significant.

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 approximately HK\$11,325,000 (31 March 2017: HK\$13,826,000) 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\$12,027,000 as at 30 September 2017 (31 March 2017: HK\$9,605,000). 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\$7,432,000 (31 March 2017: HK\$5,922,000) in respect of such payments has been made in the condensed consolidated statement of financial position as at 30 September 2017.

17. CONTINGENT LIABILITIES (continued)

- (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 2017 and 31 March 2017.
- (iv) In November 2017, a former employee of the Company lodged a claim against the Company and claimed for losses and damages for approximately HK\$150,000. After considering the amount of the loss and damage claimed by such former employee, the directors of the Company are of the opinion that it would not materially affect the financial position of the Group.
- (v) As disclosed in the announcements of the Company dated 18 October 2017 and 10 November 2017, the Company is currently subject to two legal proceedings initiated by a shareholder of the Company. As the nature of the plaintiff's claims are mainly non-monetary rather than liquidated damages, the directors of the Company are still in the course of assessing the potential impact on the financial position of the Group.

18. COMMITMENTS

- (a) Capital commitments

The Group had the following capital commitments at the end of the reporting period:

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Contracted, but not provided for:		
Acquisition of property, plant and equipment	2,641	-

- (b) Operating lease arrangement

The Group leases its office properties and staff quarters under operating lease arrangements, which are negotiated for term ranging from 1 to 2 years (31 March 2017: 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 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Within one year	3,176	4,029
In the second to fifth years, inclusive	100	1,150
	3,276	5,179

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 transaction with a related company, of which a director is also a director of the Company, during the period. The related company is controlled by a director of the Company.

	For the six months ended 30 September 2017 (Unaudited) HK\$'000	2016 (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 to an associate

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

Other receivables

As at 30 September 2017, included in other receivables was a compensation for liquidated damages under remedial agreement from APRB amount to HK\$16,800,000 (31 March 2017: HK\$16,800,000), which is a substantial shareholder and a connected party of the Company.

Loans from a director

As at 30 September 2017, the loans from a director amounted to approximately HK\$6,282,000 (31 March 2017: HK\$6,035,000) 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 2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Short term employee benefits	1,923	1,889
Post-employment benefits	56	54
Total compensation paid to key management personnel	1,979	1,943

20. FINANCIAL RISK MANAGEMENT

Financial risk factors

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk.

The interim financial report does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2017. There have been no changes in the risk management policies since 31 March 2017.

Fair value measurement

As at 30 September 2017, the directors of the Company consider that the fair values of financial assets and liabilities approximate their carrying amounts.

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 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

The Group's turnover for the six months ended 30 September 2017 amounted to approximately HK\$172,899,000 (30 September 2016: HK\$166,740,000) represented a 3.7% increase as compared to the same period last year. The loss of the Group for the six months ended 30 September 2017 was approximately HK\$7,614,000 (30 September 2016: HK\$1,460,000). Cleaning and related services business made a profit of approximately HK\$5,573,000, the medical waste treatment business made a profit of approximately HK\$2,807,000, the waste treatment business make a loss of approximately HK\$1,132,000 and the television screen broadcast business made a loss of approximately HK\$5,326,000.

FINANCIAL REVIEW

As at 30 September 2017, the Group's cash and cash equivalents and pledged time deposits totalled approximately HK\$63,365,000 (31 March 2017: HK\$56,781,000) and its current ratio was 3.60 (31 March 2017: 3.68). The Group's net assets were approximately HK\$128,069,000 (31 March 2017: HK\$120,476,000).

As at 30 September 2017, the Group did not have any bank borrowings but the Group has finance lease payables and loans from a director of approximately HK\$1,288,000 and HK\$6,282,000 respectively (31 March 2017: HK\$838,000 and HK\$6,035,000) and therefore, its gearing ratio, representing ratio of finance lease payables and loans from a director to shareholders' equity was 5.9% (31 March 2017: 5.7%). The Group's shareholders' equity amounted to approximately HK\$128,069,000 as at 30 September 2017 (31 March 2017: HK\$120,476,000).

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\$, 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 2017, the Group's banking facilities were secured by the pledge of certain Group's time deposits amounting to approximately HK\$2,041,000 (31 March 2017: HK\$2,035,000), and the building of a related company which is controlled by a director of the Company.

BUSINESS REVIEW

Television screen broadcast business

During the past six months, the Group continued to face adverse macro-economic conditions in the advertising space let by the continuous trend of mobile advertising. The Group ended contracts of the LED screen located at Millennium Plaza in Sheung Wan and of the LED screens located Hung Hom Station with MTR Corporation. The remaining group of LED screens which includes the KTT Train with MTR corporation continues to run smoothly as it still provides a valuable platform for the Group to build around.

In regards to the remedial agreement with Xinhua News Agency Asia-Pacific Regional Bureau Limited ("APRB"), the Group has been and is in continuous discussions in regards to the receivable amount as a result of the further undertaking. Discussions are still ongoing and the Group expects to come to an amicable agreement with APRB in the coming months. The Group will make an announcement as and when appropriate.

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

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 HR 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.

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 organizations, 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 PRC, continued to operate smoothly throughout the period under review.

Waste treatment business

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



PROSPECTS

Television screen broadcast business

The Group still holds exclusive broadcasting news rights of APRB for another three and half years. The Group will leverage this asset as a platform to build off of. Additionally, the Group expects to settle several of the Group's receivables in the coming months. This will provide the Group with additional sources of funding that will enable the Group to take a more aggressive approach in its growth plans. As mentioned in the past, the Group still plans to grow through potential acquisitions and possible partnerships. As always, the Group will take a prudent but opportunistic approach when considering potential investments.

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 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.

INTERIM DIVIDEND

The Board does not recommend the payment of any dividend to shareholders for the six months ended 30 September 2017 (30 September 2016: Nil).

EVENTS SUBSEQUENT TO THE REPORTING PERIOD

1. On 17 October 2017, the Company received an originating summons taken out by Brave Venture Limited against the Company, all directors of the Company at that time and the secretary of the Company seeking relief, among other things, a declaration from the Court in relation to the adjournment/withdrawal of proposed resolutions scheduled to be considered at the annual general meeting of the Company on 29 September 2017 are invalid, void and/or of no effect. Details of the said originating summons can be found in the announcement of the Company dated 18 October 2017;
2. On 20 October 2017, the adjourned annual general meeting of the Company was held and all the proposed resolutions as set out in the revised notice of the adjourned annual general meeting of the Company dated 6 October 2017 were taken by poll. The poll results can be found in the announcement of the Company dated 20 October 2017; and
3. On 10 November 2017, the Company received an originating summons taken out by Brave Venture Limited against the Company, all the current directors of the Company and the former directors of the Company, being Ms. Zhao Jingying and Mr. Wong Hon Kit, making an application for orders in respect of an alleged breach of the order granted by Honourable Madam Justice Mimmie Chan on 12 September 2017 in HCMP 1901/2017. Details of the said originating summons can be found in the announcement of the Company dated 10 November 2017.

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees of the Group as at 30 September 2017 was 1,579 (31 March 2017: 1,653). Total staff costs, including directors' emoluments and net pension contributions, for the period under review amounted to approximately HK\$123,246,000 (30 September 2016: approximately HK\$119,391,000). The Group provides employees with training programmes to equip them with the latest skills and other benefits including share option scheme.

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 2017.

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.

Movements of the share options during the period of the six months ended 30 September 2017 are listed below in accordance with chapter 17 of the Main Board Listing Rules:

Categories	As at 1 April 2017	During the period			As at 30 September 2017	Note(s)
		Granted	Lapsed	Exercised/ Cancelled		
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),(3)
Mr. Tsang Chi Hon	1,367,000	-	-	(1,367,000)	-	(1)
Sub-total	60,164,400	-	-	(58,797,000)	1,367,400	
Continuous Contracts						
Employees	13,674,000	-	-	(13,674,000)	-	(1)
All other eligible participants	6,837,000	-	-	(6,337,000)	500,000	(1)
Sub-total	20,511,000	-	-	(20,011,000)	500,000	
Total	80,675,400	-	-	(78,808,000)⁽²⁾	1,867,400	

Notes:

- 1 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.
- 2 The weighted average closing price of these shares immediately before the dates on which the relevant Share Options were exercised is HK\$0.666.
- 3 Mr. Wang Qi exercised the share options granted to him on 28 September 2017 and the relevant shares were allotted and issued to him on 12 October 2017.

As at the date of this report, 1,867,400 share options were outstanding under the Share Option Scheme, which were fully vested and exercisable.

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

As at 30 September 2017, 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	0.95%
Dr. Lo Kou Hong	Long	Beneficial Owner	53,674,000	3.71%
	Long	Interest of spouse	2,105,000 <i>(Note 2)</i>	0.15%
Mr. Yu Guang	Long	Beneficial Owner	1,367,400 <i>(Note 3)</i>	0.09%
	Long	Interest of a controlled corporation	133,387,000 <i>(Note 1)</i>	9.23%
Mr. David Wei Ji	Long	Beneficial Owner	13,674,000	0.95%
Mr. Wen Xin Nian	Long	Beneficial Owner	13,674,000	0.95%
Mr. Wang Qi	Long	Beneficial Owner	1,367,000 <i>(Note 4)</i>	0.09%

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) 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 5 below, as at 30 September 2017.
 - (4) 1,367,000 of these shares were allotted and issued on 12 October 2017 upon exercise in full of the share options granted to the independent non-executive Director, Mr. Wang Qi by the Company under its share option scheme, details of which are set out in note 5 below.
 - (5) 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 2017, 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 2017.

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 Peixin's issued shares as at 30 September 2017.

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 Shuyang ITAD's issued shares as at 30 September 2017.

In addition to the above, as at 30 September 2017, 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 2017, 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 2017.

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

As at 30 September 2017, 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
Symphony Investments Holdings Limited	Long	Beneficial owner	350,739,000 <i>Note(1)</i>	24.27%
Xinhua News Agency Asia-Pacific Regional Bureau Limited ("APRB")	Long	Beneficial owner	214,681,040	14.86%
Xinhua News Agency Asia-Pacific Regional Bureau	Long	Interest held by controlled corporation	214,681,040 <i>Note (2)</i>	14.86%
WKI Partners (Holdings) Limited	Long	Interest held by controlled corporation	172,925,000 <i>Note(3)</i>	11.97%
PAC Consulting	Long	Beneficial owner	133,387,000	9.23%
Huian	Long	Interest held by controlled corporation	133,387,000 <i>Note (4)</i>	9.23%

Notes:

- (1) These shares were beneficially owned by Symphony Investments Holdings Limited, the entire issued share capital of which was owned by Chen Ming. Accordingly, Chen Ming was deemed to be interested in such shares pursuant to Part XV of the SFO.
- (2) 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.
- (3) These shares were beneficially owned by Brave Venture Limited, the entire issued share capital of which was owned by WKI Hong Kong Limited. Further, the entire share capital of WKI Hong Kong Limited was owned by WKI GP Limited, the entire share capital of which was owned by WKI Partners (Holdings) Limited.

Accordingly, each of Brave Venture Limited, WKI Hong Kong Limited, WKI GP Limited and WKI Partners (Holdings) Limited was deemed to be interested in such shares pursuant to Part XV of the SFO.

- (4) 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 2017.



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 is still in continuous discussion in regards to the receivable amount as a results of the further undertaking. Discussions are still ongoing and the Group expects to come to an amicable agreement with Asia-Pacific Regional Bureau in the coming months. The Group will make an announcement as and when appropriate.

Save as disclosed above, as at 30 September 2017, the Company has not entered into other connected transaction within the meaning of the Main Board Listing Rules.

CHANGE IN THE COMPOSITION OF THE BOARD

Changes in the composition of the Board during the six months ended 30 September 2017 were as follows:

- (1) Ms. Zhao Jingying was appointed as executive director of the Company on 18 September 2017. Subsequently, she retired at the conclusion of the adjourned annual general meeting of the Company held on 20 October 2017.
- (2) Mr. Wong Hon Kit was appointed as independent non-executive director of the Company on 18 September 2017. Subsequently, he retired at the conclusion of the adjourned annual general meeting of the Company held on 20 October 2017.

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

During the six months ended 30 September 2017, 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 throughout the six months period under review, save for the deviations as set out below:

Provision A.4.2 of the CG Code requires that every director appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. As detailed in the announcement of the Company dated 28 September 2017, the Board considered that it would be beneficial to give the shareholders of the Company to concurrently consider and vote on the proposed resolutions of rotation and re-election of directors, determination of their remuneration and appointment of nominated directors and thus the Board resolved to adjourn the resolutions regarding rotation and re-election of Ms. Zhao Jingying and Mr. Wong Hon Kit to the adjourned annual general meeting of the Company held on 20 October 2017. As such, the Company deviated from the aforesaid provision of the CG Code.

Provision E.1.2 of the CG Code requires the chairman of the board to attend the annual general meeting of the Company and he should also invite the chairman of the audit committee, remuneration committee, nomination committee and any other committees (as appropriate) of the Company to attend. Mr. Ju Mengjun (Co-chairman of the Board and chairman of the nomination committee) was unable to attend the annual general meeting of the Company held on 29 September 2017 due to his other business commitments. Dr. Lo Kou Hong (Co-chairman of the Company) was appointed as the chairman of the aforesaid annual general meeting.

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 2017 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 2017.

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
Lo Kou Hong
Co-chairman

Hong Kong, 30 November 2017