XINHUA media.

XINHUA NEWS MEDIA HOLDINGS LIMITED

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

2018 / 2019

INTERIM REPORT

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Lo Kou Hong *(Co-chairman)*
Chan Chun Wo *(Co-chairman)*
David Wei Ji
Huang Wen Kai
Chen Ming
Li Bing

Independent Non-executive Directors
Wang Qi
Tsang Chi Hon
Ho Hin Yip
Lee Suen

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Chan Chun Wo *(Chairman)*
Wang Qi
Tsang Chi Hon
Ho Hin Yip
Lee Suen

STRATEGY AND DEVELOPMENT COMMITTEE

Chan Chun Wo *(Chairman)*
David Wei Ji
Huang Wen Kai
Chen Ming
Li Bing
Tsang Chi Hon

EXECUTIVE COMMITTEE

Chan Chun Wo *(Chairman)*
David Wei Ji
Huang Wen Kai
Chen Ming
Li Bing
Tsang Chi Hon

CORPORATE GOVERNANCE COMMITTEE

David Wei Ji *(Chairman)*
Chan Chun Wo
Huang Wen Kai
Chen Ming
Li Bing
Tsang Chi Hon
Ho Hin Yip

JOINT COMPANY SECRETARIES

Lau Siu Hung
Goh Choo Hwee (resigned on 30 November 2018)

SOLICITORS

Ma Tang & Co.

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 (the "Board") of directors (the "Directors") 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 2018 together with the unaudited comparative figures for the six months ended 30 September 2017 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 2018

		For the six months ended 30 September	
		2018	2017
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	3	**181,133**	172,899
Other income and gains	4	**310**	977
Staff costs		**(125,812)**	(123,246)
Depreciation and amortisation	5	**(2,469)**	(2,329)
Other operating expenses		**(65,760)**	(55,007)
Finance costs	6	**(18)**	(31)
Share option expenses		**(6,957)**	–
Share of results of an associate		**–**	(1)
Loss before income tax	5	**(19,573)**	(6,738)
Income tax expenses	7	**(613)**	(876)
Loss for the period		**(20,816)**	(7,614)
Other comprehensive (loss)/income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations, net of tax		**(1,085)**	631
Total comprehensive loss for the period		**(21,271)**	(6,983)
(Loss)/Profit attributable to:			
Owners of the Company		**(19,814)**	(7,775)
Non-controlling interests		**(372)**	161
		(20,186)	(7,614)
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(19,999)**	(7,464)
Non-controlling interests		**(1,272)**	481
		(21,271)	(6,983)
Loss per share attributable to owners of the Company	8		
Basic and diluted		**HK$(0.0132)**	HK$(0.0055)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018

	Notes	30 September 2018 (Unaudited) HK$'000	31 March 2018 (Audited) HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*9*	**18,276**	19,904
Intangible assets	*10*	**7,473**	8,706
Investment in an associate		**3**	3
Total non-current assets		**25,752**	28,613
Current assets			
Inventories		**484**	332
Trade receivables	*11*	**57,369**	58,215
Prepayments, deposits and other receivables	*12*	**15,472**	28,227
Pledged time deposits	*13*	**2,051**	2,046
Cash and cash equivalents		**98,422**	44,313
Total current assets		**173,798**	133,133
LIABILITIES			
Current liabilities			
Trade payables	*14*	**16,007**	11,527
Other payables and accrued liabilities		**37,259**	32,935
Amount due to an associate	*19(b)*	**4**	4
Finance lease payables	*15*	**373**	466
Tax payable		**529**	376
Total current liabilities		**54,172**	45,308
Net current assets		**119,626**	87,825
Total assets less current liabilities		**145,378**	116,438

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 September 2018

	Notes	30 September 2018 (Unaudited) HK$'000	31 March 2018 (Audited) HK$'000
Non-current liabilities			
Loans from a director	*19(b)*	**6,090**	6,688
Finance lease payables	*15*	**391**	562
Provision for long service payments		**7,684**	7,275
Deferred income		**3,563**	4,147
Total non-current liabilities		**17,728**	18,672
Net assets		**127,650**	97,766
EQUITY			
Equity attributable to owners of the Company			
Share capital	*16*	**16,092**	14,463
Reserves		**114,518**	84,991
		130,610	99,454
Non-controlling interests		**(2,960)**	(1,688)
Total equity		**127,650**	97,766

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Merger reserve HK$'000	Share option reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Exchange fluctuation reserve HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
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)
Issued of shares	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
At 1 April 2018 (Audited)	**14,463**	**492,161***	**254***	**47,063***	**154***	**26,758***	**(493,534)***	**12,135***	**99,454**	**(1,688)**	**97,766**
(Loss) for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(19,814)**	**-**	**(19,814)**	**(372)**	**(20,186)**
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(185)**	**(185)**	**(900)**	**(1,085)**
Total comprehensive (loss) for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(19,814)**	**(185)**	**(19,999)**	**(1,272)**	**(21,271)**
Lapsed of share options	**-**	**-**	**-**	**-**	**(154)**	**-**	**154**	**-**	**-**	**-**	**-**
Granted of share options	**-**	**-**	**-**	**-**	**6,957**	**-**	**-**	**-**	**6,957**	**-**	**6,957**
Issued of shares *(Note 16)*	**1,629**	**42,569**	**-**	**-**	**-**	**-**	**-**	**-**	**44,198**	**-**	**44,198**
At 30 September 2018 (Unaudited)	**16,092**	**534,730***	**254***	**47,063***	**6,957***	**26,758***	**(513,194)***	**11,950***	**130,610**	**(2,960)**	**127,650**

* These reserve accounts comprise the consolidated reserves of approximately HK$114,518,000 (31 March 2018: approximately HK$84,991,000) in the condensed consolidated statement of financial position as at 30 September 2018.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

	For the six months ended 30 September 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Net cash generated from /(used in) operating activities	**5,659**	(6,028)
Net cash used in investing activities	**(1,763)**	(1,934)
Net cash generated from financing activities	**50,873**	14,281
Net increase in cash and cash equivalents	**54,769**	6,319
Cash and cash equivalents at the beginning of the period	**44,313**	54,746
Effect of foreign exchange rate changes on the balance of cash held in foreign currencies	**(660)**	259
Cash and cash equivalents at the end of the period	**98,422**	61,324
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**98,068**	49,758
Non-pledged time deposits with original maturity of less than three months when acquired	**354**	11,566
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	**98,422**	61,324

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2018

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2018 ("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 applicable 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 2018, 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 2018. A summary of the amended HKFRSs are set out as below:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

HKFRS 9 — Financial Instruments

During the relevant period, the Group has applied HKFRS 9 "Financial Instruments". HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

HKFRS 9 — Financial Instruments (Continued)

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. Under HKFRS 9, it is no longer necessary for an incurred loss event to have occurred.

The application of HKFRS 9 has no material effect on the classification and measurement of financial assets in the unaudited condensed consolidated financial statements, except the adoption of the expected credit losses ("ECL") model. The application of the ECL model of HKFRS 9 might result in earlier provision of credit losses in relation to the Group's trade receivables measured at amortised cost. The Group expects to apply the simplified approach and record lifetime ECL estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group has performed a detailed analysis and has considered all reasonable and supportable information, including forward-looking elements, for estimation of ECL on its trade and other receivables upon the adoption of HKFRS 9. The adoption of HKFRS 9 has no material effect on the Group's unaudited condensed consolidated financial statements.

HKFRS 15 — Revenue from Contracts with Customers

During the relevant period, the Group has applied HKFRS 15 "Revenue from Contracts with Customers". This new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 has superseded existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations. As a result, the Group has changed its accounting policy in the unaudited condensed consolidated financial statements for revenue recognition as detailed below.

The Group elects to use the cumulative effect method for the adoption of HKFRS 15 with cumulative effect of initial application recognised in the opening balance of the retained earnings at 1 April 2018.

The Directors considered that the adoption of HKFRS 15 would not result in significant impact on the Group's unaudited condensed consolidated financial statements for the relevant period.

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 advertising media business segment engages in the provision of media strategy, planning and management, product launching, brand building, event marketing as well as the development and operations of advertising media;

(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 income tax. The adjusted loss before income tax is measured consistently with the Group's loss before income tax except that interest income, share of results of an associate, finance costs, share option expense 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, 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.

3. OPERATING SEGMENT INFORMATION (continued)

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

	For the six months ended 30 September 2018				
	Cleaning and related services (Unaudited) *HK$'000*	Advertising media business (Unaudited) *HK$'000*	Medical waste treatment (Unaudited) *HK$'000*	Waste treatment (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Segment revenue:					
Service income from external customers	**166,068**	**6,736**	**8,275**	**54**	**181,133**
Other income and gains	**40**	**–**	**226**	**–**	**266**
Total	**166,108**	**6,736**	**8,501**	**54**	**181,399**
Segment results	**7,006**	**(1,897)**	**1,708**	**(902)**	**5,915**
Reconciliation:					
Interest income					**44**
Share of results of an associate					**–**
Share option expenses					**(6,957)**
Unallocated expenses					**(18,557)**
Finance costs					**(18)**
Loss before income tax					**(19,573)**
Income tax expenses					**(613)**
Loss for the period					**(20,186)**

3. OPERATING SEGMENT INFORMATION (continued)

	For the six months ended 30 September 2017				
	Cleaning and related services (Unaudited)	Advertising media business (Unaudited) (Re-presented)	Medical waste treatment (Unaudited)	Waste treatment (Unaudited)	Total (Unaudited) (Re-presented)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*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	(2,386)	2,807	(1,132)	4,862
Reconciliation:					
Interest income					580
Share of results of an associate					(1)
Unallocated expenses					(12,148)
Finance costs					(31)
Loss before income tax					(6,738)
Income tax expenses					(876)
Loss for the period					(7,614)

4. OTHER INCOME AND GAINS

	For the six months ended 30 September	
	2018 (Unaudited)	2017 (Unaudited)
	HK$'000	*HK$'000*
Interest income	**44**	580
Amortisation of deferred income	**224**	218
Management fee received	**30**	30
Sundry income	**12**	149
	310	977

5. LOSS BEFORE INCOME TAX

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

	For the six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited) (Re-presented)
	HK$'000	*HK$'000*
Cost of services rendered	**155,878**	150,655
Depreciation of property, plant and equipment	**1,993**	1,864
Amortisation of intangible assets	**476**	465
Loss on written off of property, plant and equipment	**32**	25

6. FINANCE COSTS

	For the six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on finance leases	**18**	31

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 2017: 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 2017: 25%) on their assessable profits.

	For the six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax		
Hong Kong	**–**	–
The PRC	**613**	876
	613	876

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 2018 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 1,505,048,138 (30 September 2017: 1,412,452,013) 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 2018 and 30 September 2017 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	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss		
Loss attributable to owners of the Company used in the basic and diluted loss per share calculation	**(19,814)**	(7,775)

	Number of shares	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculation	**1,505,048,138**	1,412,452,013

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2018, the Group acquired items of property, plant and equipment with a cost of approximately HK$1,814,000 (30 September 2017: HK$2,420,000). Items of property, plant and equipment with carrying amount of approximately HK$32,000 were written off during the six months ended 30 September 2018 (30 September 2017: HK$25,000), resulting in a loss on written off of property, plant and equipment of approximately HK$32,000 (30 September 2017: HK$25,000).

10. INTANGIBLE ASSETS

	Medical waste treatment *HK$'000*	Free right *HK$'000*	Total *HK$'000*
Cost			
At 31 March 2018 (Audited)	34,864	151,286	186,150
Additions	–	–	–
Exchange realignment	(3,117)	–	(3,117)
At 30 September 2018 (Unaudited)	**31,747**	**151,286**	**183,033**
Accumulated amortisation and impairment			
At 31 March 2018 (Audited)	26,158	151,286	177,444
Amortisation during the period	476	–	476
Exchange realignment	(2,360)	–	(2,360)
At 30 September 2018 (Unaudited)	**24,274**	**151,286**	**175,560**
Carrying amount			
At 30 September 2018 (Unaudited)	**7,473**	**–**	**7,473**
At 31 March 2018 (Audited)	8,706	–	8,706

11. TRADE RECEIVABLES

	30 September 2018 (Unaudited) ***HK$'000***	31 March 2018 (Audited) *HK$'000*
Trade receivables	**87,369**	89,715
Less: Impairment loss recognised on trade receivables	**(30,000)**	(31,500)
	57,369	58,215

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 2018 (Unaudited) *HK$'000*	31 March 2018 (Audited) *HK$'000*
Within 30 days	**31,287**	28,167
31 to 60 days	**16,219**	17,167
61 to 90 days	**6,409**	10,196
91 to 120 days	**1,634**	1,342
Over 120 days	**1,827**	1,343
	57,369	58,215

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 September 2018 (Unaudited) *HK$'000*	31 March 2018 (Audited) *HK$'000*
Prepayments	**3,183**	5,590
Deposits	**5,140**	5,212
Other receivables *(Note)*	**25,839**	36,115
Less: Impairment loss recognised on other receivables	**(18,690)**	(18,690)
	15,472	28,227

Note: As at 30 September 2018, the Group's other receivables mainly included a loan receivable amounted to approximately HK$nil (31 March 2018: approximately HK$3,000,000) and compensation for liquidated damages under remedial agreement amounted to approximately HK$6,000,000 (31 March 2018: approximately HK$13,200,000). The loan receivable was advanced to Sheng Tang Petroleum&Chemical Development Limited ("Sheng Tang"), an independent third party of the Company. The compensation for liquidated damages under remedial agreement was a liquidated damage from Xinhua News Agency Asia-Pacific Regional Bureau Limited ("APRB"), which was a former substantial shareholder of the Company, under the further undertaking of the cooperation agreement.

As at 30 September 2018, approximately HK$3,000,000 and HK$7,200,000 has been settled by Sheng Tang and APRB respectively.

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$2,051,000 (31 March 2018: HK$2,046,000), 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 2018 (Unaudited) ***HK$'000***	31 March 2018 (Audited) *HK$'000*
Within 30 days	**10,107**	6,163
31 to 60 days	**5,373**	4,798
61 to 90 days	**–**	–
Over 90 days	**527**	566
	16,007	11,527

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 of 1 to 3.5 years (31 March 2018: from 1 to 4 years).

At 30 September 2018 and 31 March 2018, the total future minimum lease payments under finance leases are as follows:

	30 September 2018 (Unaudited) ***HK$'000***	31 March 2018 (Audited) *HK$'000*
Amounts payable:		
Within one year	**397**	498
In the second year	**183**	285
In the third to fifth year, inclusive	**228**	308
Total minimum finance lease payments	**808**	1,091
Future finance charges	**(44)**	(63)
Total net finance lease payables	**764**	1,028
Portion classified as current liabilities	**(373)**	(466)
Non-current portion	**391**	562

16. SHARE CAPITAL

	30 September 2018 (Unaudited) *HK$'000*	31 March 2018 (Audited) *HK$'000*
Issued and fully paid:		
1,609,203,130 (31 March 2018: 1,446,294,040) ordinary shares of HK$0.01 each	**16,092**	14,463

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 2018 and 1 April 2018 (Audited)	1,446,294,040	14,463
Issue of shares	162,909,090	1,629
At 30 September 2018 (Unaudited)	**1,609,203,130**	**16,092**

During the period, the Group completed the placing of 162,909,090 new shares of the Company under the general mandate.

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$14,831,000 (31 March 2018: HK$17,252,000) 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$12,017,000 as at 30 September 2018 (31 March 2018: HK$11,528,000). 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$7,684,000 (31 March 2018: HK$7,275,000) in respect of such payments has been made in the condensed consolidated statement of financial position as at 30 September 2018.

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 2018 and 31 March 2018. Currently, there is a claim against the Group for legal costs amounted to approximately HK$1,800,000 by Brave Venture Limited arising from litigation back in September of 2017. Other outstanding litigation includes a possible contempt of court claim by Brave Venture limited. However, the Group expects the financial impact to be minimal as it is a non-monetary claim.

18. 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 3 years (31 March 2018: 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 2018 (Unaudited) ***HK$'000***	31 March 2018 (Audited) *HK$'000*
Within one year	**4,460**	4,738
In the second to fifth years, inclusive	**1,796**	310
	6,256	5,048

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 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'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 2018, included in other receivables was a compensation for liquidated damages under remedial agreement from APRB amount to HK$6,000,000 (31 March 2018: HK$13,200,000), which is a former substantial shareholder and a connected party of the Company.

Loans from a director

As at 30 September 2018, the loans from a director amounted to approximately HK$6,090,000 (31 March 2018: HK$6,688,000) 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 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Short term employee benefits	**3,211**	1,923
Post-employment benefits	**57**	56
Total compensation paid to key management personnel	**3,268**	1,979

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 2018. There have been no changes in the risk management policies since 31 March 2018.

Fair value measurement

As at 30 September 2018, the directors of the Company consider that the fair values of financial assets and liabilities approximate their carrying amounts.

21. COMPARATIVE FIGURES

Certain comparative figures have been reclassified and represented to conform with the current period's presentation.

22. DIVIDEND

No dividend were paid, declared, or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

23. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the Board on 30 November 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

The Group's turnover for the six months ended 30 September 2018 amounted to approximately HK$181,133,000 (30 September 2017: HK$172,899,000) represented a 4.8% increase as compared to the corresponding period in 2017. The loss of the Group for the six months ended 30 September 2018 was approximately HK$20,186,000 (30 September 2017: HK$7,614,000). Cleaning and related services business made a profit of approximately HK$7,006,000, the advertising media business made a loss of approximately HK$1,897,000, the medical waste treatment business made a profit of approximately HK$1,708,000, and the waste treatment business made a loss of approximately HK$902,000.

Other operating expenses, which amounted to approximately HK$65,760,000 (30 September 2017: HK$55,007,000), represented a period-to-period 19.5% increase. Such expenses mainly include the costs of services rendered under cleaning and related service business, advertising media business and medical wastes treatment business as well as legal and professional fee, which accounted for 77% of other operating expenses in the current period.

During the period, about 50% of increment is due to the additional cost of services rendered under the advertising media business. About 19% of the increment is due to cost of services rendered under the cleaning and related services segment. The above two factors are explained in the section of Business Review. About 10% of the increment is due to a one-off professional and advisory fee incurred for handling additional cases during the period.

FINANCIAL REVIEW

As at 30 September 2018, the Group's cash and cash equivalents and pledged time deposits totalled approximately HK$100,473,000 (31 March 2018: HK$46,359,000) and its current ratio was 3.2 (31 March 2018: 2.9). The Group's net assets were approximately HK$127,650,000 (31 March 2018: HK$97,766,000).

As at 30 September 2018, the Group did not have any bank borrowings but the Group has finance lease payables and loans from a director of approximately HK$764,000 and HK$6,090,000 respectively (31 March 2018: HK$1,028,000 and HK$6,688,000) and therefore, its gearing ratio, representing ratio of finance lease payables and loans from a director to shareholders' equity was 5.4% (31 March 2018: 7.9%). The Group's shareholders' equity amounted to approximately HK$127,650,000 as at 30 September 2018 (31 March 2018: HK$97,766,000).

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 is transacted in Hong Kong ("HK$") dollars, whereas those of the advertising media business, medical waste treatment business and waste treatment business are transacted in Renminbi ("RMB"). The Group's cash and bank balances are primarily denominated in HK$, RMB and United States dollars.

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

As at 30 September 2018, the Group's banking facilities were secured by the pledge of certain Group's time deposits amounting to approximately HK$2,051,000 (31 March 2018: HK$2,046,000), and the building of a related company which is controlled by a director of the Company.

BUSINESS REVIEW

Advertising media business

In May 2018, the Group signed a strategic cooperation framework agreement with Fujian Province Zhi Chuang Zhi Yuan Marketing Planning Company Limited ("Zhi Chuang"). In July 2018, the Group had successfully entered into a business agreement with Zhi Chuang. The business with Zhi Chuang started after the requirement of presenting a fund proof was fulfilled. From July to September 2018, a revenue of about HK$6.7 million from advertising media business segment was firstly recorded. The revenue was mainly due to a provision of advertising media support to a real estate development project. The loss was due to the initial expenses at an early stage in a business cycle.

Cleaning and related services

During the reporting period, the tightening labour market continued to put upward pressure on wages and associated cost. The situation was particularly noticeable in some service businesses because of social perception, repetitive work, unsocial hours, unfavorable work environments and remote locations. Effort of the government in creating more recruitment platforms to assist the employers had spurred minimal help.

Cleaning services are heavily dependent on manual labour and we all know that labour factor is crucial to service quality and business development. To maintain a relatively stable workforce of low turnover rate, we closely monitor the labour market trend, review our wage packages, fringe benefits and incentive scheme as well as provide on-the-job training to retain the good staff members and to enhance their loyalty and attachment to the Group.

In spite of the labour shortage challenge and competitions, the Group was able to maintain the business in an all-round balance manner. Two major contracts with one of the biggest flight kitchens in Hong Kong were renewed; one for operation handling, i.e. packing of wines, beverages and snacks etc. to carts for departure aircrafts; and the other for conveying carts with flight meals to refrigerated facilities pending for loading to the aircrafts. Of course, the services call for high personal hygiene. We have been committed to the setting of the highest standard as far as practicable on the hygienic requirements of our employees.

Renewal of another two contracts with this customer with regards to warewashing and general cleaning services for their headquarters and facilities next to the airport is in progress. We remain optimistic in these two renewals.

On the other hand, cleaning contracts with several commercial buildings and housing estates were renewed for terms ranging from one to three years during the reporting period; most of them with fee adjustment mechanisms keeping pace with the movements of the statutory minimum wage.

The high-level division was able to, among other jobs, obtain a contract for cleaning of walls, claddings and finishings on the external of several multi-storey towers and low-rise houses in a prestigious housing development in Clear Water Bay Road. The work is expected to continue till the end of 2018.

Pest management usually forms part of the cleaning service contracts. Higher temperature these days facilitates pest infestation. In response to market demand, modern pest control equipment, pesticides and techniques were introduced to our services from time to time. Our technical manager with over 25 years experience in the field was frequently invited to share his expertise and advice in the control of destructive pests with the public through forums and media as a token of our corporate social responsibility.

Medical waste treatment business

The two medical waste treatment plants of the Group located in Siping City and Suihua City in the PRC, continued to operate smoothly throughout the reporting period.

Waste treatment business

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

PROSPECTS

Advertising media business

The Group maintains the same position for the business strategy to refine, expand and diversify the Company's television screen broadcast business into a wider service chain, in which its scope is likely to include media strategy, planning and management, product launching, brand building, event marketing as well as the development and operations of advertising media.

Apart from developing organically, the Group has been identifying opportunities to complement and enhance this business segment. For example, to cope with an obvious trend that the mass market's attention is quickly shifted to digital medias, an acquisition is going on to acquire scripts and to further cooperate with reputable film director. Such acquisition not only attracts additional customers, and opens new channels to the Group's present business, but also offers avenues for the Group to develop towards content-creation business. For details, please refer to the section Events Subsequent to the Reporting Period.

Cleaning and related services

Labour shortage in Hong Kong is not temporary and will likely to persist for a long term. We have to find ways and means to adapt to such situation, e.g. we shall conduct manpower adequacy assessment jointly with our clients on a regular basis to consider whether the number of headcounts required to satisfactorily accomplish all cleaning tasks can be reduced due to productivity improvement; we shall explore new machines and equipment to replace where possible the labour intensive work and to develop more ergonomic and effective new methods and procedures to improve the effectiveness and to reduce fatigue.

The Government is going to introduce a quantity-based municipal solid waste charging scheme to achieve waste disposal reduction and to increase people's awareness of environmental protection. The scheme will be implemented in all sectors in one go in the second half of 2019 at the earliest. The Group has established a working group to study the scheme and to follow up further information announced by the government from time to time to make necessary preparations to assist our customers, frontline staff members and stakeholders adapting to the scheme once it is launched.

The Group continues its effort to seek growth opportunities in the market to expand its business in cleaning and related services, including, but not limited to, building management, through mergers and acquisitions. A horizontal growth strategy is able to bring synergy and benefits to the Group and its shareholders.

Medical waste treatment business

During the reporting period, the two medical waste treatment plants located in Siping City and Suihua City have been operating smoothly and are expected to continue. The Group can therefore reasonably expect the medical waste treatment business will continue to bring in revenue to the Group in the future. The Group is looking for suitable opportunities to expand in this area.

INTERIM DIVIDEND

The Board does not recommend the payment of any dividend to shareholders for the six months ended 30 September 2018 (30 September 2017: Nil).

USE OF THE PLACING PROCEEDS

During the six months ended 30 September 2018, the Group completed the placing of 162,909,090 new shares of the Company under the general mandate. The net proceeds from the placing was approximately HK$44,198,000 after deduction of the placing commission and other related expenses. Details of which are set out as follows:

Date of Completion	Description of placing activities	Intended use of placing proceeds	Actual use of placing proceeds as at 30 September 2018
26 July 2018	Issued 162,909,090 new shares of the Company under the general mandate. The net proceeds from the placing was approximately HK$44,198,000	It mainly covers the Group's business plan, including but not limited to: (i) establishing an operation centre to provide a wider scope of services; (ii) engaging outsourcing business partners to enhance the Group's capacity and service scope; and (iii) the Group's business development, expansion and exploration of business collaboration opportunities.	HK$15,000,000 was used for 3-month fixed deposit at a Hong Kong bank as a fund proof to engage business partner, and approximately HK$5,900,000 was used for setting up operation center and for the Group's business development. As at 30 September 2018, the unutilized proceeds from the placing, approximately HK$23,298,000, is still allocated for the same intentions.

Save for the aforesaid placing, the Company has not conducted any fund raising activities in the past 6 months immediately preceding the date of this report.

EVENTS SUBSEQUENT TO THE REPORTING PERIOD

1. On 21 September 2018, the Company, through its indirect wholly-owned subsidiary, Precise Vision International Limited entered into the agreement with the Mr. Gao Xixi and Xiwen Corporation Limited to acquire DaWen Corporation Limited ("Target Company") at a consideration of HK$40,000,000. The Target Company was wholly owned by Mr. Gao Xixi and Xiwen Corporation Limited. Completion shall be subject to the fulfillment of all the conditions precedent set out in the agreement. Details of which are set out in the announcement of the Company dated 21 September 2018.

2. On 4 October 2018, the Company obtained a final judgement from the Court of First Instance of the High Court of The Hong Kong Special Administrative Region against Sheng Tang for the loan receivable. A legal advice was provided to the Company on 23 October 2018 after consulting the legal representatives of the Company for the feasible actions. During the board meeting on 30 November 2018, based on the legal advice, the board decided to enforce the final judgement by taking legal actions for debt recovery.

EVENTS SUBSEQUENT TO THE REPORTING PERIOD (continued)

3. On 15 October 2018, the Company, through its subsidiary being indirectly owned by the Company as to 51%, Sichuan Chuang Fu Hai Cultural Broadcast Limited, entered into an agreement with Fujian Province Zhi Chuang Zhi Yuan Marketing Planning Company Limited and Luzhou City Jiangyang District Lantian Land Organisation and Development Company Limited to acquire a property at a consideration of RMB19,122,768. Completion shall be subject to the fulfillment of all the conditions precedent set out in the agreement. Details of which are set out in the announcement of the Company dated 15 October 2018.

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees of the Group as at 30 September 2018 was 1,594 (31 March 2018: 1,604). Total staff costs, including directors' emoluments and net pension contributions, for the reporting period amounted to approximately HK$125,812,000 (30 September 2017: approximately HK$123,246,000). 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 2018.

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 held on 25 September 2015 and shall be valid and effective for a period of 10 years up to 24 September 2025.

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 10% of the issued share capital of the Company as at the date of approval of the Share Option Scheme ("Scheme Mandate Limit"). The Scheme Mandate Limit may be refreshed by the shareholders in general meeting in accordance with the rules of the Share Option Scheme.

The Scheme Mandate Limit was refreshed by the shareholders at the annual general meeting of the Company held on 27 September 2018. The maximum number of shares which can be issued upon the exercise of all the share options to be granted under the refreshed Scheme Mandate Limit shall be 160,920,313 shares, representing 10% of a total of 1,609,203,130 shares in issue as at the date of approval of the refreshment of Scheme Mandate Limit. For details, please refer to the supplementary circular to the annual general meeting of the Company dated 4 September 2018.

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. The amount payable on acceptance of an option is HK$1.00. The offer of option shall be accepted by the Participants within 28 days from the date of the offer, otherwise the offer shall be deemed to have been irrevocably declined and lapsed automatically.

SHARE OPTIONS (continued)

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be notified by the Board to each Grantee but may not be exercised after the expiry of ten years from the Offer Date. The Board may impose restrictions on the exercise of an Option during the period an Option may be exercised.

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 and director 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 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.

SHARE OPTIONS (continued)

Movements of the share options during the period of the six months ended 30 September 2018 are listed below in accordance with chapter 17 of Main Board Listing Rules:

Categories	As at 1 April 2018	During the period Granted	Lapsed	Exercised/ Cancelled	As at 30 September 2018	*Note(s)*
Directors						
Mr. Chan Chun Wo	–	14,462,000	–	–	14,462,000	*(1)*
Mr. Huang Wen Kai	–	8,677,000	–	–	8,677,000	*(1)*
Ms. Chen Ming	–	1,446,000	–	–	1,446,000	*(1)*
Mr. Li Bing	–	8,677,000	–	–	8,677,000	*(1)*
Ms. Lee Suen	–	1,446,000	–	–	1,446,000	*(1)*
Sub-total	–	34,708,000	–	–	34,708,000	
Continuous Contracts Employees	–	23,232,604	–	–	23,232,604	*(2)*
All other eligible particpants	1,367,400	–	(1,367,400)	–	–	*(3)*
Sub-total	1,367,400	23,232,604	(1,367,400)	–	23,232,604	
Total	1,367,400	57,940,604	(1,367,400)	–	57,940,604	

Notes:

(1) The share options were granted and deemed to be accepted on 6 July 2018 and are exercisable at any time during the period from 6 July 2018 to 5 July 2028 (both days inclusive) and the exercise price is HK$0.278.

(2) The share options were granted and deemed to be accepted on 6 July 2018 and are exercisable at any time during the period from 6 July 2019 to 5 July 2028 (both days inclusive) and the exercise price is HK$0.278.

(3) 1,367,400 share options were lapsed during the period ended 30 September 2018.

As at the date of this report, 57,940,604 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 2018, the interests of the directors of the Company in the shares and underlying shares of the Company and its associated corporations as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance (the "SFO"); or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

A.(1) INTERESTS IN SHARES OF THE COMPANY

Name of director	Long/short position	Capacity	Number of ordinary shares	Percentage* of the Company's issued share capital
Mr. Lo Kou Hong	Long	Beneficial owner	53,674,000	3.34%
	Long	Interest of spouse	2,105,000 *Note (1)*	0.13%
Mr. Chan Chun Wo	Long	Beneficial owner	5,000,000	0.31%
Mr. David Wei Ji	Long	Beneficial owner	13,674,000	0.85%
Ms. Chen Ming	Long	Interest held by controlled corporation	346,449,000	21.53%
Mr. Wang Qi	Long	Beneficial owner	1,367,000	0.08%

Notes:

(1) Mr. Lo Kou Hong was deemed to be interest in the 2,105,000 shares of the Company through interest of the spouse, Ms. Ko Lok Ping, Maria Genoveffa, who personally and beneficially owned such 2,105,000 shares of the Company.

(2) On 6 July 2018, 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. These share options, all of which remained outstanding as at 30 September 2018, are exercisable at a price of HK$0.278 per share during the exercise periods. Details of these share options are disclosed in the paragraph headed "Share Options"on pages 25 to 27 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 2018.

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
Mr. 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 Mr. Lo Kou Hong and Ms. Ko Lok Ping, Maria Genoveffa. As such, Mr. 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 2018.

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
Mr. Lo Kou Hong	Long	Interest held by controlled corporation	RMB62,500,000 *(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 Mr. 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, Mr. 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 2018.

In addition to the above, as at 30 September 2018, Mr. 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 2018, 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 2018.

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

As at 30 September 2018, 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	346,449,000 *Note(1)*	21.53%
Zheng Xiandeng	Long	Beneficial owner	214,681,040	14.84%
WKI Partners (Holdings) Limited	Long	Interest held by controlled corporation	179,315,000 *Note(2)*	11.14%

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 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.

Remark: Pursuant to the result of an exercise under section 329 of the SFO, the register under section 336 of the SFO and the disclosed information under Part XV of the SFO, it is ascertained that Pan Asia Century Consulting Limited was not a substantial shareholder of the Company as at 30 September 2018.

* The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 September 2018.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high standards of corporate governance best suited to the needs and interests of the Group, as it believes that effective corporate governance practices are fundamental to safeguarding the interests of the shareholders and enhancing accountability and transparency.

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.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE OF THE MAIN BOARD LISTING RULES

During the six months ended 30 September 2018, the Directors consider that the Company has complied with the code provisions ("Code Provision") set out in the Corporate Governance Code (the "CG Code") in Appendix 14 of the Main Board Listing Rules throughout the reporting period, save for the deviations as set out below:

Code Provision A.1.1 of the CG Code stipulates that the board should meet regularly with 14-day notice and board meetings should be held at least four times a year at approximately quarterly intervals. During the six months ended 30 September 2018, one regular Board meeting was held. Although the Board meetings held during the year were not convened on a regular basis, the Board considered that sufficient board meetings with 3-day notice had been held within appropriate intervals during the reporting period in which the Directors actively participated in considering the business operations and corporate actions of the Group.

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The positions of co-chairman and chief executive officer of the Company have been held by Mr. Chan Chun Wo since 26 February 2018. The Board believes that Mr. Chan Chun Wo has the requisite experience and knowledge and that vesting in both roles would maintain efficient business operation which is in the best interest of the Group.

AUDIT COMMITTEE

The Audit Committee comprises all independent non-executive Directors and is responsible for reviewing the Group's financial information and overseeing of the Group's financial reporting system and internal control procedures. The Audit Committee is also responsible for reviewing the interim and final results of the Group prior to recommending them to the Board for approval. In performing its duties, it has unrestricted access to personnel, records, and external auditors and senior management.

The unaudited consolidated results for the six months ended 30 September 2018 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 2018.

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

On behalf of the Board
Xinhua News Media Holdings Limited
Mr. Chan Chun Wo — *Co-chairman*
Mr. Lo Kou Hong — *Co-chairman*

Hong Kong, 30 November 2018