

XINHUA
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XINHUA NEWS MEDIA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 309



2019/2020
INTERIM REPORT

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Lo Kou Hong (Co-chairman)

Chan Chun Wo

(Co-chairman and Chief Executive Officer)

David Wei Ji (resigned on 14 October 2019)

Huang Wen Kai

Chen Ming (resigned on 31 October 2019)

Lee Suen

Non-executive Director

Wong Kam Tai Kamsuo (appointed on 8 November 2019)

Independent Non-executive Directors

Wang Qi

Tsang Chi Hon

Ho Hin Yip

Wang Chunping (resigned on 31 October 2019)

AUDIT COMMITTEE

Tsang Chi Hon (Chairman)

Wang Qi

Ho Hin Yip

Wang Chunping (resigned on 31 October 2019)

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 (resigned on 14 October 2019)

Huang Wen Kai

Chen Ming (resigned on 31 October 2019)

Tsang Chi Hon

Wang Chunping (resigned on 31 October 2019)

EXECUTIVE COMMITTEE

Chan Chun Wo (Chairman)

David Wei Ji (resigned on 14 October 2019)

Huang Wen Kai

Chen Ming (resigned on 31 October 2019)

Tsang Chi Hon

CORPORATE GOVERNANCE COMMITTEE

David Wei Ji (Chairman) (resigned on 14 October 2019)

Chan Chun Wo (Chairman)

(appointed on 14 October 2019)

Huang Wen Kai

Chen Ming (resigned on 31 October 2019)

Tsang Chi Hon

Ho Hin Yip

Wang Chunping (resigned on 31 October 2019)

CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Lau Siu Hung

REGISTERED OFFICE

P.O. Box 309

Ugland House

Grand Cayman

KY1-1104

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 3709-13, 37/F, COSCO Tower

183 Queen's Road 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

54th 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 2019. 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 2019

	Notes	For the six months ended 30 September 2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Revenue	6	183,788	181,133
Other income and gains	7	11,427	310
Staff costs		(129,395)	(125,812)
Depreciation and amortisation	8	(6,215)	(2,469)
Other operating expenses		(57,949)	(65,760)
Finance costs	9	(217)	(18)
Share option expenses		(911)	(6,957)
Fair value gain on an investment property		795	-
Profit/(loss) before income tax	8	1,323	(19,573)
Income tax expenses	10	(433)	(613)
Profit/(loss) for the period		890	(20,186)
Other comprehensive (loss), net of tax <i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations: exchange differences arising during the period		(3,101)	(1,085)
Total comprehensive loss for the period		(2,211)	(21,271)
Profit/(loss) attributable to:			
Owners of the Company		2,574	(19,814)
Non-controlling interests		(1,684)	(372)
		890	(20,186)
Total comprehensive loss attributable to:			
Owners of the Company		(62)	(19,999)
Non-controlling interests		(2,149)	(1,272)
		(2,211)	(21,271)
Earnings/(loss) per share attributable to owners of the Company	11	HK\$0.0015	HK\$(0.0132)
Basic and diluted			

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2019

		30 September 2019 (Unaudited) HK\$'000	31 March 2019 (Audited) HK\$'000
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	12	59,673	16,924
Intangible assets	13	32,640	33,508
Investment property	14	38,557	31,521
Right-of-use assets		7,389	–
Total non-current assets		138,259	81,953
Current assets			
Inventories		351	361
Trade receivables	15	55,803	77,253
Prepayments, deposits and other receivables	16	11,133	10,690
Pledged time deposits	17	2,061	2,056
Cash and cash equivalents		71,908	70,759
Total current assets		141,256	161,119
Total assets		279,515	243,072
LIABILITIES			
Current liabilities			
Trade payables	18	22,480	21,558
Other payables and accrued liabilities	19	76,162	43,304
Lease liabilities		6,886	–
Loans from a director		5,876	1,167
Finance lease payables		–	268
Other financial liability		12,973	12,973
Tax payable		1,158	4,994
Total current liabilities		125,535	84,264
Net current assets		15,721	76,855
Total assets less current liabilities		153,980	158,808

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 September 2019

		30 September 2019 (Unaudited) HK\$'000	31 March 2019 (Audited) HK\$'000
	<i>Notes</i>		
Non-current liabilities			
Loans from a director		–	5,081
Finance lease payables		–	294
Lease liabilities		511	–
Deferred income		3,269	3,633
Deferred tax liability		4,265	2,565
Total non-current liabilities		8,045	11,573
Net assets		145,935	147,235
EQUITY			
Equity attributable to owners of the Company			
Share capital	20	16,759	16,759
Reserves		128,847	127,998
Non-controlling interests		145,606 329	144,757 2,478
Total equity		145,935	147,235

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	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 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 (loss) 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	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
At 1 April 2019 (Audited)	16,759	547,397*	254*	47,063*	8,780*	26,758*	(514,281)*	12,027*	144,757	2,478	147,235
Profit/(loss) for the period	-	-	-	-	-	-	2,574	-	2,574	(1,684)	890
Other comprehensive (loss) for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(2,636)	(2,636)	(465)	(3,101)
Total comprehensive profit/(loss) for the period	-	-	-	-	-	-	2,574	(2,636)	(62)	(2,149)	(2,211)
Granted of share options	-	-	-	-	911	-	-	-	911	-	911
At 30 September 2019 (Unaudited)	16,759	547,397*	254*	47,063*	9,691*	26,758*	(511,707)*	9,391*	145,606	329	145,935

* These reserve accounts comprise the consolidated reserves of approximately HK\$128,847,000 (31 March 2019: approximately HK\$127,998,000) in the condensed consolidated statement of financial position as at 30 September 2019.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

	For the six months ended	
	30 September 2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Net cash generated from operating activities	3,875	5,659
Net cash generated from/(used in) investing activities	1,386	(1,763)
Cash flows from financing activities		
Placing of new shares	–	44,198
Other financing cash flows	(3,981)	6,675
Net cash (used in)/generated from financing activities	(3,981)	50,873
Net increase in cash and cash equivalents	1,280	54,769
Cash and cash equivalents at the beginning of the period	70,759	44,313
Effect of foreign exchange rate changes on the balance of cash held in foreign currencies	(131)	(660)
Cash and cash equivalents at the end of the period	71,908	98,422
Analysis of balances of cash and cash equivalents		
Cash and bank balances	45,831	98,068
Non-pledged time deposits with original maturity of less than three months when acquired	26,077	354
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	71,908	98,422

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2019

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The principal place of business of the Company is located at Unit 3709-13, 37/F., Cosco Tower, 183 Queen's Road Central, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

During the interim period, the Group was principally engaged in the provision of cleaning and related services, the provision of medical waste treatment service, the provision of waste treatment service, the provision of advertising media service and hotel hospitality service.

The condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand ("HK\$'000"), unless otherwise stated.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements ("Interim Financial Statement") have been prepared in accordance with Hong Kong Accounting Standards 34 ("Interim Financial Reporting") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosures requirements sets 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 Interim Financial Statements do not included all the information and disclosures required a full set of financial statements, and should be read in conjunction with the Group's 2019 annual consolidated financial statements for the year ended 31 March 2019 ("2019 Annual Report"). The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in 2019 Annual Report except as stated below.

Leases

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

Buildings	50% – 80%
Motor vehicles	20% – 22.2%

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2019

2. BASIS OF PREPARATION (continued)

Leases (continued)

The Group as lessee (continued)

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US\$5,000.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current interim period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2019. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRSs"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group accounting policies, presentation of the Group's financial statements and amounts reported for the current interim period and prior years except as stated below.

HKFRS 16

On adoption of HKFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as operating leases' under HKAS 17 "Leases", resulted in changes in the consolidated amounts reported in the financial statement as follows:

	1 April 2019 HK\$'000
At 1 April 2019:	
Increase in right-of-use assets	10,287
Increase in lease liabilities	(10,193)
Decrease in property, plant and equipments	(656)
Decrease in finance lease payables	562

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2019

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued) HKFRS 16 (continued)

The reconciliation of operating lease commitment to lease liabilities as at 1 April 2019 is set out below:

	HK\$'000
Operating lease commitment at 31 March 2019:	12,174
Add:	
Finance lease payables	562
Less:	
Commitment relating to leases with a remaining lease term ending on or before 31 March 2020 and low-value assets	(1,129)
Discounting	(1,414)
Lease liabilities as at 1 April 2019	10,193

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

4. FAIR VALUE MEASUREMENTS

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categories into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2019

4. FAIR VALUE MEASUREMENTS (continued)

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy:

Description	Fair value measurement using:			As at 30 September 2019 Total
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Recurring fair value measurements: Other financial liability Derivative – contingent consideration	-	-	(12,973)	(12,973)
	-	-	(12,973)	(12,973)

Description	Fair value measurement using:			As at 31 March 2019 Total
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Recurring fair value measurements: Other financial liability Derivative – contingent consideration	-	-	(12,973)	(12,973)
	-	-	(12,973)	(12,973)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2019

4. FAIR VALUE MEASUREMENTS (continued)

(b) Reconciliation of liability measured at fair value based on level 3:

	Other financial liability HK\$'000	Total HK\$'000
At 1 April 2019 and at 30 September 2019	12,973	12,973

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements:

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The Directors determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The Directors work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model and to understand the cause of fluctuations in the fair value of the assets and liabilities.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Effect on fair value for increase of inputs	Fair value as at 30 September 2019 HK\$'000
Other financial liability				12,973
Derivative – Contingent consideration	Discounted cash flow	Cost of debt 5.1%	Decrease	
59,683,052 shares and HK\$2,095,085 cash		Long-term per-tax profit margin 32.3%-45.2%	Increase	
		Long-term per-tax operating margin 30.9%-40.6%	Increase	

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2019

4. FAIR VALUE MEASUREMENTS (continued)

Level 3 fair value measurements (continued)

Description	Valuation technique	Unobservable inputs	Effect on fair value for increase of inputs	Fair value as at 31 March 2019 HK\$'000
Other financial liability				
Derivative – Contingent consideration	Discounted cash flow	Cost of debt 5.1%	Decrease	12,973
59,683,052 shares and HK\$2,095,085 cash		Long-term per-tax profit margin 32.3%-45.2%	Increase	
		Long-term per-tax operating margin 30.9%-40.6%	Increase	

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

- the cleaning and related services segment which includes the provision of cleaning and related services for office buildings, public areas and residential areas;
- the advertising media business segment which includes in the provision of media strategy, planning and management, product launching and selling, brand building, event marketing as well as the development and operations of advertising media;
- the medical waste treatment segment which includes in the provision of non-incineration medical waste handling services for hospitals;
- the waste treatment business segment which includes in the provision of organic waste treatment and sale of the by-products produced; and
- the hotel business segment which includes in the operation of hotel hospitality services.

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 profit/(loss) before income tax. The adjusted profit/(loss) before income tax is measured consistently with the Group's profit/(loss) before income tax except that interest income, gain on bargain purchase, finance costs, share option expense and unallocated head office and corporate expenses are excluded from such measurement.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2019

5. OPERATING SEGMENT INFORMATION (continued)

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 2019					
	Cleaning and related services (Unaudited) HK\$'000	Advertising media business (Unaudited) HK\$'000	Medical waste treatment (Unaudited) HK\$'000	Waste treatment (Unaudited) HK\$'000	Hotel business (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue:						
Service income from external customers	167,006	5,043	10,595	108	1,036	183,788
Other income and gains	118	65	183	-	-	366
Total	167,124	5,108	10,778	108	1,036	184,154
Segment results	7,711	(7,531)	6,719	(907)	(129)	5,863
Reconciliation:						
Interest income						120
Gain on bargain purchase						10,941
Share option expenses						(911)
Unallocated expenses						(14,473)
Finance costs						(217)
Profit before income tax						1,323
Income tax expenses						(433)
Profit for the period						890

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2019

5. OPERATING SEGMENT INFORMATION (continued)

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

	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	Hotel business (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 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)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2019

6. REVENUE

Group's revenue represents the net invoiced value of services rendered. An analysis of the Group's revenue is as follows:

	For the six months ended 30 September 2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Cleaning and related service fee income	167,006	166,068
Advertising media related service fee income	5,043	6,736
Medical waste treatment income	10,595	8,275
Waste treatment income	108	54
Hotel hospitality income	1,036	-
	183,788	181,133

During the six months ended 30 September 2019, HK\$3,544,000 of variable consideration from advertising media business is recognised when it is highly probable that a significant revenue reversal will not occur (six months ended 30 September 2018: Nil).

Disaggregation of revenue from contracts with customers:

For the six months ended 30 September 2019

Segments	Cleaning and related services (Unaudited) HK\$'000	Advertising media business (Unaudited) HK\$'000	Medical waste treatment (Unaudited) HK\$'000	Waste treatment (Unaudited) HK\$'000	Hotel business (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Geographical markets						
Hong Kong	167,006	-	-	-	-	167,006
The People's Republic of China ("PRC")	-	5,043	10,595	108	1,036	16,782
Total	167,006	5,043	10,595	108	1,036	183,788
Timing of revenue recognition						
At a point in time	-	4,092	-	-	-	4,092
Over time	167,006	951	10,595	108	1,036	179,696
Total	167,006	5,043	10,595	108	1,036	183,788

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2019

6. REVENUE (continued)

For the six months ended 30 September 2018

Segments	Cleaning and related services (Unaudited) HK\$'000	Advertising media business (Unaudited) HK\$'000	Medical waste treatment (Unaudited) HK\$'000	Waste treatment (Unaudited) HK\$'000	Hotel business (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Geographical markets						
Hong Kong	166,068	-	-	-	-	166,068
PRC	-	6,736	8,275	54	-	15,065
Total	166,068	6,736	8,275	54	-	181,133
Timing of revenue recognition						
At a point in time	-	6,069	-	-	-	6,069
Over time	166,068	667	8,275	54	-	175,064
Total	166,068	6,736	8,275	54	-	181,133

7. OTHER INCOME AND GAINS

	For the six months ended 30 September	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Interest income	120	44
Amortisation of deferred income*	151	224
Management fee received	30	30
Gain on bargain purchase	10,941	-
Sundry income	185	12
Total	11,427	310

* Various government grants have been received for purchase of property, plant and equipment for medical waste treatment. There are no unfulfilled conditions or contingencies relating to these subsidies.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2019

8. PROFIT/(LOSS) BEFORE INCOME TAX

The Group's profit/(loss) before income tax is arrived at after charging/(crediting):

	For the six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of services rendered	155,021	155,878
Depreciation of property, plant and equipment	1,897	1,993
Depreciation for right-of-use assets	3,866	–
Net gain on disposals of property, plant and equipment	(15)	–
Amortisation of intangible assets	452	476
Loss on written off of property, plant and equipment	20	32

9. FINANCE COSTS

	For the six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Leases interest	217	–
Interest on finance leases	–	18
	217	18

10. INCOME TAX EXPENSES

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands or the British Virgin Islands.

Macau Complementary Tax is calculated at a progressive rate from 9% to 12% on the estimated assessable profit for the six months ended 30 September 2019. No provision for Macau Complementary Tax is required as the Company's subsidiary in Macau incurred tax losses for the six months ended 30 September 2019.

Pursuant to the relevant tax law of the Hong Kong Special Administrative Region, Hong Kong profits tax has to be provided at the rate of 16.5% (six months ended 30 September 2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the current interim period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2019

10. INCOME TAX EXPENSES (continued)

Pursuant to the approval of the tax bureau, in accordance with the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), one subsidiary of the Group is subject to the PRC Enterprise Income Tax at a rate of 15% for being engaged in the encouraged industries in a designated area. Other subsidiaries of the Group located in the PRC are subject to the PRC Enterprise Income Tax at a rate of 25% (six months ended 30 September 2018: 25%) on their assessable profits.

	For the six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax		
Hong Kong – over-provision in prior year	(126)	–
The PRC	366	613
	240	613
Deferred tax liability	193	–
	433	613

11. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Basic and diluted earnings/(loss) per share

The calculation of the basic and diluted earnings/(loss) per share amounts is based on the profit for the interim period attributable to owners of the Company of approximately HK\$2,574,000 (six months ended 30 September 2018: loss of HK\$19,814,000), and the weighted average number of ordinary shares of 1,675,869,796 (six months ended 30 September 2018: 1,505,048,138) in issue during the interim period.

The diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share for the six months ended 30 September 2019 and 2018 because the Company's share options outstanding during these period were anti-dilutive.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2019

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2019, the Group acquired items of property, plant and equipment with a cost of approximately HK\$525,000 (30 September 2018: HK\$1,814,000). Items of property, plant and equipment with carrying amount of approximately HK\$20,000 were written off during the six months ended 30 September 2019 (30 September 2018: HK\$32,000), resulting in a net loss on written off and disposal of property, plant and equipment of approximately HK\$5,000 (30 September 2018: HK\$32,000).

13. INTANGIBLE ASSETS

	Drama HK\$'000	Medical waste treatment HK\$'000	Free right HK\$'000	Total HK\$'000
Cost				
At 1 April 2019 (Audited)	26,306	32,575	151,286	210,167
Exchange realignment	-	(1,942)	-	(1,942)
At 30 September 2019 (Unaudited)	26,306	30,633	151,286	208,225
Accumulated amortisation and impairment				
At 1 April 2019 (Audited)	-	25,373	151,286	176,659
Amortisation during the period	-	452	-	452
Exchange realignment	-	(1,526)	-	(1,526)
At 30 September 2019 (Unaudited)	-	24,299	151,286	175,585
Carrying amount				
At 30 September 2019 (Unaudited)	26,306	6,334	-	32,640
At 31 March 2019 (Audited)	26,306	7,202	-	33,508

14. INVESTMENT PROPERTY

	2019 HK\$'000
At 1 April 2019 (Audited)	31,521
Transfer from trade receivables	8,144
Fair value gain on an investment property	795
Exchange realignment	(1,903)
At 30 September 2019 (Unaudited)	38,557

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2019

15. TRADE RECEIVABLES

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 2019 (Unaudited) HK\$'000	31 March 2019 (Audited) HK\$'000
Within 30 days	28,327	36,620
31 to 60 days	16,142	20,366
61 to 90 days	7,740	5,966
91 to 120 days	3,286	11,335
Over 120 days	308	2,966
	55,803	77,253

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 September 2019 (Unaudited) HK\$'000	31 March 2019 (Audited) HK\$'000
Prepayments	5,577	3,944
Deposits	3,880	5,576
Other receivables	20,366	19,860
Less: Impairment loss recognised on other receivables	(18,690)	(18,690)
	11,133	10,690

17. 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\$2,061,000 (31 March 2019: HK\$2,056,000), and the building of a related company which is controlled by a director of the Company.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2019

18. TRADE PAYABLES

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

	30 September 2019 (Unaudited) HK\$'000	31 March 2019 (Audited) HK\$'000
Within 30 days	6,196	21,360
31 to 60 days	5,446	20
61 to 90 days	105	-
Over 90 days	10,733	178
	22,480	21,558

19. OTHER PAYABLES AND ACCRUALS

	30 September 2019 (Unaudited) HK\$'000	31 March 2019 (Audited) HK\$'000
Other payables	5,964	10,837
Consideration payable for acquisition of a subsidiary	37,533	-
Accrued liabilities (Note)	32,665	32,467
	76,162	43,304

Note: Accrued liabilities mainly represent the staff cost and benefit incurred in the Group.

20. SHARE CAPITAL

	30 September 2019 (Unaudited) HK\$'000	31 March 2019 (Audited) HK\$'000
Authorised: 2,000,000,000 ordinary shares of HK\$0.01 each	20,000	20,000
Issued and fully paid: 1,675,869,796 (31 March 2019: 1,675,869,796) ordinary shares of HK\$0.01 each	16,759	16,759

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2019

21. ACQUISITION OF A SUBSIDIARY

On 10 July 2019, the Group acquired the entire registered capital of Fujian Jiye Property Management Co., Ltd.* ("Fujian Jiye") for a cash consideration of RMB33,000,000. Fujian Jiye was engaged in hotel operation during the period.

The fair value of the identifiable assets and liabilities of Fujian Jiye at its date of acquisition, which has no significant difference from its carrying amount, is as follows:

Net assets acquired:	HK\$'000
Property, plant and equipment	46,713
Prepayments, deposits and other receivables	1,561
Cash and cash equivalents	1,781
Other payables and accrued liabilities	(291)
Deferred tax liability	(1,661)
Current tax assets	371
	48,474
Gain on bargain purchases	(10,941)
Satisfied by:	
Consideration payable to the former owner	37,533
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	1,781

* for identification purpose only

The bargain purchase arose because the consideration payable by the Group was less than the fair value of the identifiable net assets acquired, mainly because the purchase price was not conducted with reference to the fair value of the identifiable net assets.

Fujian Jiye generated approximately HK\$145,000 loss to the Group's profit for the period for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 April 2019, total Group revenue for the period would have been HK\$184,538,000, and profit for the period would have been HK\$833,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2019, nor is intended to be a projection of future results.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2019

22. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances disclosed elsewhere in these Interim Financial Statement, the Group had the following material transaction with a related company, of which certain directors are also directors of the Company, during the period. The related company is controlled by a director of the Company.

	For the six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Management fee income from a related company (Note)	30	30
Sales to related Company	108	-

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:

Loans from a director

As at 30 September 2019, the loans from a director amounted to approximately HK\$5,876,000 (31 March 2018: HK\$6,248,000) are unsecured, interest-free and not repayable within the next twelve months (31 March 2019: within 2 years).

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

	For the six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short term employee benefits	1,440	3,211
Post-employment benefits	50	57
Total compensation paid to key management personnel	1,490	3,268

23. DIVIDEND

No dividends 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.



MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

The Group's turnover for the six months ended 30 September 2019 amounted to approximately HK\$183,788,000 (30 September 2018: HK\$181,133,000) represented a 1.5% increase as compared to the corresponding period in 2018. The profit of the Group for the six months ended 30 September 2019 was approximately HK\$890,000 (30 September 2018: loss of HK\$20,186,000). Cleaning and related services business made a profit of approximately HK\$7,711,000, the advertising media business made a loss of approximately HK\$7,531,000, the medical waste treatment business made a profit of approximately HK\$6,719,000, the waste treatment business made a loss of approximately HK\$907,000, and the hotel business made a loss of approximately HK\$129,000.

Other operating expenses, which amounted to approximately HK\$57,949,000 (30 September 2018: HK\$65,760,000), represented a period-to-period 11.9% decrease. Such expenses mainly include the costs of services rendered under cleaning and related service business, advertising media business and medical wastes treatment business, which accounted for 72% of other operating expenses in the current period.

During the period, the legal and professional fee decreased significantly by 78% because the legal proceedings were discontinued. The cost of service rendered under the advertising media business and cleaning and related service business decreased slightly by 8% due to the decrease in the cost of business operation. The above two factors explained mostly the decrease of the other operating expenses.

FINANCIAL REVIEW

As at 30 September 2019, the Group's cash and cash equivalents and pledged time deposits totalled approximately HK\$73,969,000 (31 March 2019: HK\$72,815,000) and its current ratio was 1.1 (31 March 2019: 1.9). The Group's net assets were approximately HK\$145,935,000 (31 March 2019: HK\$147,235,000).

As at 30 September 2019, the Group did not have any bank borrowings but the Group has finance lease payables and loans from a director of approximately HK\$Nil and HK\$5,876,000 respectively (31 March 2019: HK\$562,000 and HK\$6,248,000) and therefore, its gearing ratio, representing ratio of finance lease payables and loans from a director to shareholders' equity was 4.0% (31 March 2019: 4.6%). The Group's shareholders' equity amounted to approximately HK\$145,935,000 as at 30 September 2019 (31 March 2019: HK\$147,235,000).

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, waste treatment business and hotel 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, waste treatment business, and hotel business which is in RMB, can offset future liabilities and expenses.

As at 30 September 2019, the Group's banking facilities were secured by the pledge of certain of the Group's time deposits amounting to approximately HK\$2,061,000 (31 March 2019: HK\$2,056,000), and the building of a related company which is controlled by a director of the Company.

BUSINESS REVIEW

Advertising media business

The advertising media business continues to provide advertising service to a real estate development project. The second quarter and third quarter of year 2019 is, however, a low season for real estate industry. The ongoing trade war between the USA and China, as well as the recent cool-down measures from the Chinese Government, however, slow down the sales of residential real estate and hence the budget for advertisement.

Cleaning and related services

Hong Kong economy has rapidly deteriorated in the face of the ongoing social unrest paired with the uncertainty of the US-China trade friction. After a contraction in the second quarter of the year, the economic growth of the third quarter tumbled sharply, exceeding the worst estimates. Some analysts opined that Hong Kong might have already plunged into technical recession.

In fact, certain negative impacts have surfaced. Some of our customers have started bargaining for concessions even though our existing contracts still have a period to run before expiry.

Some of our worksites are located within the public gathering prone districts. When public transportation is interrupted, we have to employ private transportation to carry our staff to and from such worksites in order to keep our services in operation which attracted extra costs.

Notwithstanding the worsen economic conditions, the seasonal adjusted unemployment rate stood at 2.9%, suggesting that we are still facing an acute shortage of labour supply.

The airport and the vicinities in Lantau Island have always been some of the toughest areas for recruitment of labour, given the distant location. However, with our untired and continued effort, we have been able to maintain a stable taskforce of around 500 members, providing warewash, general cleaning and operational handling services round-the-clock for a renowned flight catering group adjacent to the airport over the past 10 years.

Three major cleaning service contracts with a listed property developer for its wholly-owned commercial properties, a grade-A office building and a prominent shopping arcade in Causeway Bay and another flag-ship shopping mall in Kowloon Bay were renewed for three years.

The Group was again successful in bidding a two-year contract enabling us to continue the provision of comprehensive cleaning and pest management services for one of the largest prestigious housing estates in South Island, which is another difficult location to recruit labour. During our past six years with this property, modern automatic machines and equipment were from time to time introduced to the estate for achieving better results in response to the stringent requirements of the owners and relying less on labour. Our continuous improvement initiative was one of the positive factors for the owners to decide to choose us again.

Amidst fierce competition, the Group was able to obtain a continuous contract from a membership club for the supply of external wall and glazing cleaning on the basis of once a quarter for their new clubhouse building in Happy Valley.

Medical waste treatment business

The Group operates two medical waste treatment plants in the PRC, one in Siping City and the other in Suihua City. Both plants have been operating smoothly throughout the reporting period.

Waste treatment business

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



PROSPECTS

Advertising media business

The Group continues to develop the conventional advertising media business by providing marketing strategy, media promotion, product selling services to real estate projects in China.

Apart from conventional advertising media business, which is encountering strong competition from digital market, the Group has been developing the digital advertising media channels by taking a first step to co-operate with the reputable national film director Mr. Gao Xixi ("Mr. Gao"), who is famous in producing popular drama series and movies in China. In 2019, Mr. Gao served as the chairman of judging panel for the Magnolia Awards (白玉蘭獎) in 25th Shanghai Television Festival. As the market eyeball attention is shifting to mobile screen and other digital medias, it is the Group's strategy to participate in the quality content-creation industry (i.e. drama series or movie) for securing quality advertisement view time in popular broadcasting channels. Mr Gao's productions have been broadcasted in digital channels such as Tencent Video, LETV, Youku, Tudou, Iqiyi etc and traditional TV stations such as Beijing Television, Zhe Jiang Satellite Television, Hunan Satellite Television etc.

Cleaning and related services

Adapting to these hard times, a reversal of this situation is unlikely to take place in the foreseeable future, we have to adopt a series of relief measures to remediate the challenges. We shall continue to conduct joint manpower adequacy revisions with our customers. We are also broadening our procurement network in the hope that more favorable prices and terms can be obtained. Inspection and maintenance of our machines and equipment are planned to be increased in order to minimize the malfunction frequency and prolong their useful lives. The Group, as always, is confident that it shall be triumphant in combating against the adversities and maintaining our competitiveness in the market in the years ahead.

Medical waste treatment business

In view of the Chinese Government's new policy in placing emphasis on compliance with environmental protection policies, the Group foresees that the medical waste treatment business would become more difficult to run in the future. We also expect that the profit margin will be negatively affected.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend to the shareholders of the Company (the "Shareholders") for the six months ended 30 September 2019 (30 September 2018: 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 2019
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.	Approximately HK\$38,638,000 was used for setting up operation center and for the Group's business development. As at 30 September 2019, the unutilized proceeds from placing, approximately HK\$5,560,000 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 announcement.

CONTINGENT LIABILITIES

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

- (a) The Group has executed performance guarantees to the extent of an aggregate amount of approximately HK\$14,914,000 (31 March 2019: HK\$15,662,000) in respect of certain services provided to various customers by the Group.
- (b) 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 2019 and 31 March 2019. 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.



EVENTS SUBSEQUENT TO THE REPORTING PERIOD

On 24 September 2019, the Company through its wholly-owned subsidiary, Xinhua News Media Limited, entered into a Sale and Purchase Agreement (the "Agreement") with Fubon Wealth (Beijing) Asset Management Co., Ltd.* (富邦財富(北京)資產管理有限公司) to acquire 5% issued share capital of Dingzhou Dundi Solid Waste Treatment Co., Ltd.* (定州遁地固廢處理有限公司) (the "Target Company") at a consideration of RMB10,500,000 (HK\$11,550,000). The Target Company is a company established under the laws of the People's Republic of China since September 2018 and its main operations is situated in the city of Dingzhou under the Hebei Province. 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 24 September 2019.

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees of the Group as at 30 September 2019 was 1,484 (31 March 2019: 1,520). Total staff costs, including directors' emoluments and net pension contributions, for the reporting period amounted to approximately HK\$129,395,000 (30 September 2018: approximately HK\$125,812,000). The Group provides employees with training programmes to equip them with the latest skills and also provide other benefits including share option scheme (which later defined as the 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 purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2019.

SHARE OPTIONS

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 (the "Share Option Scheme") 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.

* for identification purpose only

SHARE OPTIONS (continued)

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.

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 2019 are listed below in accordance with chapter 17 of the Listing Rules:

Categories	As at 1 April 2019	During the period			As at 30 September 2019	Note(s)
		Granted	Lapsed	Exercised/ Cancelled		
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)	
Sub-total	23,232,604	-	-	-	23,232,604	
Total	57,940,604	-	-	-	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\$0.2780.
- (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\$0.2780.

* Ms. Chen Ming ("Ms. Chen") resigned on 31 October 2019 and her share options shall be lapsed at the expiration of one month from the date of cessation in accordance with the Share Option Scheme. However, the Board considered her valuable contribution during her tenure of service and offer Ms. Chen to extend the share options exercise period for five years from the date of cessation (i.e. 30 November 2019) to 29 November 2024, with exercise price of HK\$0.2780 remain unchanged.

** Mr. Li Bing ("Mr. Li") resigned on 1 June 2019 and his share options shall be lapsed at the expiration of one month from the date of cessation in accordance with the Share Option Scheme. However, the Board considered his valuable contribution during his tenure of service and offer Mr. Li to extend the share options exercise period for five years from the date of cessation (i.e. 1 July 2019) to 30 June 2024, with exercise price of HK\$0.278 remain unchanged.

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

As at 30 September 2019, the interests of the Directors 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 Part XV of the Securities and Futures Ordinance (the "SFO"); or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

A.(1) INTERESTS IN SHARES OF THE COMPANY

Name of director	Long/short positions	Capacity	Number of ordinary shares	Percentage* of the Company's issued share capital
Mr. Lo Kou Hong	Long	Beneficial owner	53,674,000	3.20%
	Long	Interest of spouse	2,105,000 <i>Note (1)</i>	0.13%
Mr. Chan Chun Wo	Long	Beneficial owner	5,000,000	0.30%
Mr. David Wei Ji	Long	Beneficial owner	13,674,000	0.82%
Ms. Chen Ming	Long	Interest held by controlled corporation	202,596,000	12.09%
Mr. Wang Qi	Long	Beneficial owner	1,367,000	0.08%

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

A.(1) INTERESTS IN SHARES OF THE COMPANY *(continued)*

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 2019, 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 28 to 30 of this Interim Report.
- * The percentage is calculated based on the total number of shares of the Company as at 30 September 2019, which was 1,675,869,796 ordinary shares.

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

Name of director	Long/short positions	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 <i>(Note)</i>	30%

Note: The 42 shares in Peixin were held through a corporation controlled by 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 ordinary shares interested divided by the number of Peixin's issued shares as at 30 September 2019.

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

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

Name of director	Long/short positions	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 <i>(Note)</i>	30%

Note: The entire registered capital in Shuyang ITAD was beneficially owned by Peixin and 42 shares in Peixin were beneficially owned by a corporation controlled by 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 amount of registered capital interested divided by the total amount of Shuyang ITAD's registered capital as at 30 September 2019.

In addition to the above, as at 30 September 2019, 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 2019, 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 2019.

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

As at 30 September 2019, the following persons (other than the directors and chief executive 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 positions	Capacity	Number of ordinary shares	Percentage* of the Company's issued share capital
Symphony Investments Holdings Limited	Long	Beneficial owner	202,596,000 <i>Note(1)</i>	12.09%
Zheng Xiandeng	Long	Beneficial owner	214,681,040	12.81%
WKI Partners (Holdings) Limited	Long	Interest held by controlled corporation	179,315,000 <i>Note(2)</i>	10.70%

Notes:

- (1) Symphony Investments Holdings Limited is wholly owned by Ms. Chen Ming. Accordingly, Ms. Chen Ming is deemed to be interested in such shares under Part XV of the SFO.
- (2) WKI Partners (Holdings) Limited is wholly owned by Brave Venture Limited. Brave Venture Limited is wholly owned by WKI Hong Kong Limited. WKI Hong Kong Limited is wholly owned by WKI GP Limited. Accordingly, each of WKI Partners (Holdings) Limited, Brave Venture Limited, WKI Hong Kong Limited, WKI GP Limited was deemed to be interested in such shares under Part XV of SFO.

* The percentage is calculated based on the total number of shares of the Company as at 30 September 2019, which was 1,675,869,796 ordinary shares.

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 LISTING RULES

During the six months ended 30 September 2019, the Directors consider that the Company has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the 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 2019, 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 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the reporting period, 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.

CHANGE IN DIRECTOR'S INFORMATION

Change in the information of the Directors that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2018/2019 annual report of the Company are set out below:

1. Mr. David Wei Ji resigned as an executive Director with effect from 14 October 2019.
2. Ms. Chen Ming resigned as an executive Director with effect from 31 October 2019.
3. Mr. Wang Chunping resigned as an independent non-executive Director with effect from 31 October 2019.
4. Mr. Wong Kam Tai Kamsuo has been appointed as a non-executive Director with effect from 8 November 2019.
5. Mr. Tsang Chi Hon has been appointed as the company secretary of China Oriented International Holdings Limited (Stock Code: 1871) on 11 October 2019, the shares of which are listed on the Main Board of the Stock Exchange.



AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) comprises three 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 condensed consolidated interim financial statements for the six months ended 30 September 2019 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 TRANSACTIONS 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 as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. 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 2019.

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, 29 November 2019