

The logo for Xinhua Media, featuring the word "XINHUA" in a bold, white, sans-serif font above the word "media." in a smaller, white, sans-serif font. The text is set against a solid blue rectangular background.

**XINHUA**  
media.

**XINHUA NEWS MEDIA HOLDINGS LIMITED**

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 309

**ANNUAL REPORT**  
**2019/2020**

The background of the cover is a complex, futuristic digital landscape. It features a central globe with a grid overlay, surrounded by concentric circles and hexagonal patterns. The overall color scheme is light blue and white, with a grid pattern in the background. The text is positioned in the upper left and center-left areas.



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Lo Kou Hong *(Chairman)*  
Tsui Kwok Hing  
Fu Jun  
Leung Cheung Hang

### Independent Non-executive Directors

Wang Qi  
Tsang Chi Hon  
Wong Hon Kit

### AUDIT COMMITTEE

Tsang Chi Hon *(Chairman)*  
Wang Qi  
Wong Hon Kit

### REMUNERATION COMMITTEE

Tsang Chi Hon *(Chairman)*  
Wang Qi  
Wong Hon Kit

### NOMINATION COMMITTEE

Tsui Kwok Hing *(Chairman)*  
Leung Cheung Hang  
Wang Qi  
Tsang Chi Hon  
Wong Hon Kit

## STRATEGY AND DEVELOPMENT COMMITTEE

Tsui Kwok Hing *(Chairman)*  
Fu Jun  
Tsang Chi Hon

## EXECUTIVE COMMITTEE

Tsui Kwok Hing *(Chairman)*  
Fu Jun  
Tsang Chi Hon

## CORPORATE GOVERNANCE COMMITTEE

Tsui Kwok Hing *(Chairman)*  
Tsang Chi Hon  
Wong Hon Kit

## COMPANY SECRETARY

Yu Tat Chi Michael

## AUTHORISED REPRESENTATIVES

Tsui Kwok Hing  
Yu Tat Chi Michael

## AUDITORS

ZHONGHUI ANDA CPA Limited

## 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 407, Fu Hang Industrial Building  
1 Hok Yuen Street East, Hunghom  
Kowloon, 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  
Level 54  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

## PRINCIPAL BANKERS

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

## SOLICITORS

Louis K.Y. Pau & Company, Solicitors

## STOCK CODE

309

## COMPANY'S WEBSITE

[www.XHNmedia.com](http://www.XHNmedia.com)

# CHAIRMAN'S STATEMENT

**LO'S CLEANING SERVICES LTD., A WHOLLY-OWNED SUBSIDIARY OF XINHUA NEWS MEDIA HOLDINGS LTD., WAS FOR THE FIFTEENTH YEAR RECOGNISED AS A CARING COMPANY AND THEREAFTER AWARDED "CARING COMPANY 15 YEARS +" BY THE HONG KONG COUNCIL OF SOCIAL SERVICE.**



Dear Shareholders,

Hong Kong is experiencing tough times.

Our economy has been hit hard by the uncertainty of the trade friction between the US and China, the ongoing social movements and as if it is not enough, we are now overwhelmed by the effects of the coronavirus pandemic. Among others, the catering, retail, tourism and consumer-based sectors are under their greatest pressure and are contracting in an alarming pace. Worse still, after WHO has assessed that the virus infections have created a pandemic, a number of countries have taken measures to contain the spread of the virus via lockdowns and travel restrictions.

The unemployment rate soared to 3.7% in March 2020 and is expected to rise in the near term. Many businesses have cut their business hours, requested their staff to take unpaid leave or simply laid off people. The government has already warned that the economic impact caused by the pandemic could be more severe than that of SARS in 2003, though it is too early to tell how far-reaching the effects will be.

That said, the credit outlook of Hong Kong was still affirmed as stable by the major credit rating agencies.

Amid the present tough economic environment, we are determined to continue our commitment to upgrade our service quality and enhance the career prospects of our staff. After all we firmly believe that the most valuable assets of our business are our staff. We are seriously studying and exploring AI assistance to streamline our workflow and efficiency so that we shall be well geared to grasp opportunities when the adversities are over.

I am most grateful to our shareholders, my fellow directors for their trust and support and to our staff for their dedication and contribution.

**Lo Kou Hong**

*Chairman*

Hong Kong, 13 July 2020

# MANAGEMENT DISCUSSION AND ANALYSIS

## OPERATING RESULTS

The Group's revenue for the year ended 31 March 2020 amounted to approximately HK\$348,648,000 (2019: HK\$404,279,000), a 13.8% decrease as compared to the previous year. The loss of the Group was approximately HK\$46,174,000 (2019: HK\$16,226,000). Cleaning and related services business made a profit of approximately HK\$7,323,000, the medical waste treatment business made a profit of approximately HK\$5,755,000, the advertising media business made a loss of approximately HK\$32,204,000, and the waste treatment business made a loss of approximately HK\$1,814,000.

Other operating expenses, which amounted to approximately HK\$102,119,000 (2019: HK\$147,598,000), represented a year-to-year 30.8% decrease. Such expenses mainly included the cost of services rendered under cleaning and related services business, advertising media business and medical waste treatment business which accounted for 75.9% of other operating expenses in the current period.

The drop in the other operating expenses was mainly due to the decrease in legal and professional fee as the legal proceedings were discontinued. Also, the drop in the cost of services rendered was in line with the drop in the revenue.

During the year ended 31 March 2020, other losses of HK\$21,377,000 were incurred (2019: Nil). Other losses mainly represented impairments on intangible assets and investment properties which was partially offset by the fair value change on other financial liability and gain on disposal of a subsidiary.

## FINANCIAL REVIEW

As at 31 March 2020, the Group's cash and cash equivalents and pledged time deposits totaled approximately HK\$54,360,000 (2019: HK\$72,815,000) and its current ratio was 2.1 (2019: 1.9). The Group's net assets were approximately HK\$95,036,000 (2019: HK\$147,235,000).

As at 31 March 2020, the Group did not have any bank borrowings but the Group had lease liabilities and loans from a director of approximately HK\$2,478,000 and approximately HK\$5,834,000 respectively (2019: Nil and HK\$6,248,000). The Group's shareholders' equity amounted to approximately HK\$95,036,000 as at 31 March 2020 (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 business are transacted in HK\$, whereas those of the medical waste treatment business, waste treatment business and advertising media business are transacted in Renminbi ("RMB"). The Group's cash and bank balances are primarily denominated in HK\$, RMB and United States dollars.

Foreign currency risks in relation to exchange rate fluctuations of RMB will be mitigated as future revenues from advertising media business, which are in RMB, can offset future liabilities and expenses.

As at 31 March 2020, the Group's banking facilities were secured by the pledge of certain of the Group's time deposits amounting to approximately HK\$2,066,000 (2019: HK\$2,056,000) and a property owned by a related company which is controlled by a director of the Company.

# Management Discussion and Analysis

## BUSINESS REVIEW

### Advertising Media Business

For the year ended 31 March 2020, the Group's advertising media business generated revenue of approximately HK\$4,933,000 (2019: approximately HK\$53,067,000). The Group's advertising media business recorded an operating loss of approximately HK\$32,204,000 for the year ended 31 March 2020 (2019: operating profit of approximately HK\$24,121,000).

Due to the slowdown in GDP growth of the Chinese economy and the continuous uncertainties over the China-U.S. trade conflict, coupled with the fierce competition in the market and outbreak of COVID-19 thereby caused a material adverse impact in the operation and its overall performance of the Group in advertising media business which led to a sharp decrease in the advertising media related service fee income as compared to the corresponding period of 2019.

The Company entered into an agreement (the "Agreement") in acquiring the script of five dramas and a movie (the "Dramas") on 20 March 2019. However, in view of the continuing imposition of policies by the National Radio and Television Administration in relation to restrictions on the shooting, broadcasting and distribution of ancient costume dramas, of which the Dramas are being categorized as, the vendors have commenced negotiation with the Company on how to proceed with the fulfillment of the contractual obligations of the parties as the restrictions on ancient costume dramas have become more stringent since mid-2019 to such extent that it is uncertain when will the Dramas be allowed to be shoot, broadcasted or distributed. On 19 June 2020, the Company and the vendors reached certain mutual understandings on settlement of the outstanding contractual obligations under the Agreement and entered into a settlement agreement (the "Settlement Agreement"). After completion of the obligations under the Settlement Agreement, the Agreement shall be terminated.

### Hotel Business

On 18 April 2019, the Company, through its indirect wholly-owned subsidiary, entered into an agreement to acquire the entire issued share capital in Fujian Jiye Property Management Co., Ltd.\* (the "Target Company"), which indirectly owns a property named Wuyishan Zhong Sheng Hotel (the "Acquisition Agreement").

However, due to (1) the first installment of RMB23,100,000 was not paid by the Company whilst the actual operation of the Target Company has not been handed over to the Company after the Completion; and (2) the re-adjustment on the long-term business strategy of the Company in order to retain capital for existing operations after taking into account the uncertain prospects of the hotels industry recently.

On 13 March 2020, the vendor and the Company entered into a termination agreement to revoke, nullify and terminate the Acquisition Agreement.

### Cleaning and related services business

Hong Kong's economy has been battered heavily during the year under review. The economic momentum has been gradually evaporating since the commencement of the social movements around middle of 2019 and has worsen still after the outbreak of the coronavirus at the beginning of 2020.

Customers are more cautious amid the pessimistic atmosphere. Most of our service contracts were acquired or renewed with less favourable returns during the year.

In the wake of the pandemic, our services have to be stepped up in terms of increasing the manpower or job frequencies. To protect our staff members, in particular those who are on the frontline facing the public, we provided them with necessary protective gears, such as face masks, overalls, goggles, sanitizers and forehead thermometers etc. Some of these items have to be ordered from overseas due to heavy demand and thus attracting additional costs.

\* English translations of official Chinese name are for identification purpose only

## Management Discussion and Analysis

During the year under review, a contract was extended with a top-notch residential development containing over 2,000 luxurious domestic flats with abundant amenities in Hong Kong south for a term of two years with fair adjustment in the contract price.

Several contracts which were due to expire in the year were also renewed for a term of one to two years.

Our co-operation with a listed property developer went on. Contracts for the provision of cleaning and pest management for their several properties were renewed for a fixed term of two years.

Rents and prices of shops in core commercial and shopping districts have plunged by as much as 40% as the infections crimped the demand. At the request of the customers and by mutual consent, prices of certain ongoing contracts of three commercial developments were reduced for a temporary period of twelve months as we are quite willing to join hands with our business partners to help tide over the difficulty during these uncertain economic times.

Amidst fierce competitions, the Group succeeded in obtaining two high-level cleaning service contracts – one from a membership club for curtain wall cleaning at their brand new clubhouse and the other for the external cleaning of 15 elegant townhouses on the peak, which called for different high-level access equipment in view of the creative external shapes of the properties.

High-level cleaning has been one of our strengths. We are now in joint collaboration with a firm of professional experts in the field to explore the use of remote controlled robotic cleaning equipment instead of using conventional high-level access equipment. This new approach can enhance our high-level cleaning service, in terms of cost effectiveness, safety and avoiding the time constraint and stringent regulations imposed when suspended working platforms are used.

### Medical wastes treatment business

The Group operated two medical waste treatment plants in the PRC, one in Siping City and the other in Suihua City during the year. The Group disposed of the entire medical waste treatment business during the year.

### Waste treatment business

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

## PROSPECTS

### Advertising Media Business

The outbreak of COVID-19 has brought more uncertainties to the Group's operating environment in the PRC. In respect of the Group's operations, the epidemic has caused a near stoppage in the Group's advertising media business. Certain adverse impact of such epidemic is expected to be continued in the third quarter of 2020. The Group has formulated response measures to alleviate the consequential impact. However, it is still full of uncertainties at this stage.

With the gradual restoration of order in the affected provinces and municipalities, economic activities are expected to rebound quickly after downturn. The Group will closely monitor the market fluctuations and continue to implement its strategies in a prudent manner by conducting appraisal to each of its businesses, and downsizing or ceasing certain losing businesses with a view to focus the Group's resources on its profit-making businesses and thereby improving the financial performance of the Group.

### Cleaning and related services business

Looking ahead, the coronavirus infection is unlikely to be eliminated entirely any time soon nor will local consumption rebound in the second quarter and even perhaps in the third quarter of this year in spite of the efforts and a list of relief measures introduced by our government aiming at easing unemployment and stimulating economic growth.



## Management Discussion and Analysis

Having regard to the fact that most of our customers have been our long-term business partners with close confidence established, we are still cautiously optimistic that we shall be able to maintain our operations with limited impact caused by these negative factors, though the profit margin will inevitably be narrowed.

We are the contractor providing warewash, operations handling and cleaning and related services to a leading flight kitchen in Chap Lop Kok Airport. As a result of the coronavirus infection outbreak since the beginning of 2020, many countries around the world took actions to contain the spread of the virus via lockdowns and strict quarantine measures. Such actions resulted in the current almost stagnant situation of the aviation industry. Consequently, the services required from us by this major customer had dwindled in the last few months and our services can only resume back to normal when the aviation industry recover.

### SUMMARY

The business environment had been unstable and challenging during the year ended 31 March 2020. Facing the US-China trade war, the effects of COVID-19 and other uncertain global economic outlook, the challenges in the overall business environment will be severe in the year ahead. In terms of future development of the Group and for the interest of the shareholders, the management has been keen on improving the operating results of the Group. The management will, on one hand, continue to strengthen the cleaning and related business for further improvement in performance and, on the other hand, will take a keen but cautious approach to explore all possible solutions, including the possible introduction of and joint venture with strategic partners who can bring in financing and management support to the Group so as to enhance its competitiveness and to attain better results. At the same time, the management has been ambitious in exploring different business opportunities and identifying potential projects, in particular those that can bring in sustainable growth and stable return, with an aim to secure the ongoing business development of the Group, to further diversify our business and to broaden the revenue streams of the Group so as to enhance the value of the Group and its shareholders as a whole.

Accordingly, the management will be proactive in development in different markets and industries and to take prompt and appropriate actions as and when appropriate opportunities are identified.

### DIVIDEND

The directors do not recommend the payment of a dividend to shareholders for the year ended 31 March 2020 (2019: Nil).

### EMPLOYEES AND REMUNERATION POLICIES

The total number of employees of the Group as at 31 March 2020 was 1,354 (2019: 1,520). Total staff costs, including directors' emoluments and net pension contributions, for the period under review amounted to HK\$256,640,000 (2019: HK\$270,043,000). 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.

# BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

As at the date of this report, the biographical details of the directors (the “Directors”) of Xinhua News Media Holdings Limited (the “Company”) are as follows:

## BOARD OF DIRECTORS

### EXECUTIVE DIRECTORS

#### Mr. Lo Kou Hong

Mr. Lo, aged 77, is the founder of the Company. He has been redesignated to Chairman of the Board and an executive Director of the Company on 27 April 2020. He is also a director of certain subsidiaries of the Company. Prior to establishing Lo’s Cleaning Services Limited in 1978, Mr. Lo served as a manager at a local property management company. He was appointed as a vice president of the Friends of Scouting in 2001. Mr. Lo is also a founder member and director of Environmental Innovation Council Limited, a non-profit-making organisation incorporated in Hong Kong with limited liability by guarantee.

#### Mr. Tsui Kwok Hing

Mr. Tsui, aged 64, appointed as the Co-Chief Executive Officer and an executive Director of the Company on 12 February 2020 and has been redesignated to Chief Executive Officer and an executive Director of the Company on 27 April 2020. He resigned the role of Chief Executive Officer of the Company on 31 May 2020. Mr. Tsui joined a prominent fashion company in Shenzhen as the chairman and general manager in 1998. In 2005, the company moved to Ganzhou city in Jiangxi Province where he continued his service until 2016. From 2016 to 2019, he served as the general manager of a Hong Kong fashion company. Mr. Tsui was in senior management position for over 20 years and has extensive experience in import and export trading.

#### Mr. Fu Jun

Mr. Fu, aged 52, appointed as an executive Director of the Company on 7 April 2020. Mr. Fu holds a Master of Art degree in Japanese literature from the University of Tsukuba, Japan. He was mainly engaged in internet and media work before 2005. He was the Chief Representative in the PRC for Japan Key Station Co. Ltd. (“Key Station”), the CEO of Jiahe Netstar Network Technology Co. Ltd and the Secretary General of BeiJing Network Science and Technology Promotion Committee. He was responsible for the establishment of the Chinese website for Key Station and helped to set up the China Network TV station and the Mainstream Media Network. After 2005, Mr. Fu engaged in financial service, he was the Vice President of Wealth Index Investment Management Co. Ltd. and the CEO of Oriental Fuying Investment Management Co., Ltd., and participated in overseas IPO and private equity investment of over 20 PRC’s enterprises.

#### Mr. Leung Cheung Hang

Mr. Leung, aged 60, appointed as an executive Director of the Company on 21 April 2020. Mr. Leung graduated from high school in the PRC. He has been the general manager for more than 30 years of a company whose main business is import and export trading. He is responsible for the management in the area of sales and marketing. He has extensive experience in managing large enterprises especially in the overall management and strategic planning of the company. Mr. Leung has over 20 years of solid investment background specializing in property investment in both Hong Kong and the PRC.

# Biographical Information of Directors and Senior Management

## INDEPENDENT NON-EXECUTIVE DIRECTORS

### Mr. Wang Qi

Mr. Wang Qi, aged 65, was appointed as an independent non-executive Director of the Company in August 2006. Mr. Wang Qi was a director of Jingneng Property Company Limited (a company listed on the Shanghai Stock Exchange), engaging in property development in Beijing and the general manager of Tian Chuang Science and Technology Development Company Limited, engaging in investment of technologically related businesses. Mr. Wang Qi is a qualified senior engineer and has over 30 years of experience in business management. He was a senior investment manager of China Commercial Construction Development Company from 1989 to 2000 and was responsible for the investment and listing projects of various companies in Mainland China. Mr. Wang Qi also served as an executive officer to manage some of the investment projects of Regal Hotels International from 1997 to 2000 and New World Group from 1993 to 2000 in Mainland China. In addition, Mr. Wang Qi has devoted himself in developing the business connection and communication between Hong Kong and Mainland China in the field of business management and investment.

### Mr. Tsang Chi Hon

Mr. Tsang, aged 45, was appointed as an independent non-executive Director of the Company in November 2013. Mr. Tsang graduated from The University of Hong Kong in December 2009 with a Bachelor of Accounting and was admitted as a certified public accountant of The Hong Kong Institution of Certified Public Accountants in April 2006. He has approximately 20 years of experience in audit and accounting. Mr. Tsang joined Baker Tilly Hong Kong Business Services Limited as an auditor in October 1999 and left in February 2004. In March 2004, he joined Grant Thornton Hong Kong as a senior in the assurance division, was subsequently promoted to supervisor in October 2005 and left the firm in March 2007. From May 2007 to July 2008, he joined Reyoung Pharmaceutical Holdings Limited, a company listed on the Main Board of the Singapore Exchange Securities Trading Limited as a group financial controller. From May 2009 to September 2009, Mr. Tsang was employed by Luxworld Limited as a financial reporting manager. From November 2009 to February 2014, Mr. Tsang served as chief financial officer in Zuoan Fashion Limited, a company listed on the New York Stock Exchange. In May 2017, Mr. Tsang was appointed as the company secretary of China Oriented International Holdings Limited (stock code: 1817), a company whose shares are listed on the Main Board of the Stock Exchange.

### Mr. Wong Hon Kit

Mr. Wong, aged 53, was appointed as an independent non-executive Director of the Company on 12 February 2020. Mr. Wong obtained a Diploma in Accounting from Hong Kong Shue Yan University in July 1991. He is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Wong is an independent non-executive Director of Wanjia Group Holdings Limited (stock code: 401) since April 2013 and an independent non-executive Director of Lerthai Group Limited (stock code: 112) since December 2018, both companies whose shares are listed on the Main Board of the Stock Exchange.

In addition, he was an independent non-executive Director of the Company from September to October 2017 and Smart-Core Holdings Limited (stock code: 2166) from March 2016 to June 2018, both companies whose shares are listed on the Main Board of the Stock Exchange. Mr. Wong is also an independent non-executive Director of Heng Xin China Holdings Limited (stock code: 8046), a company whose shares are listed on the GEM of the Stock Exchange, since June 2018 and up to 2 July 2019, the date on which its shares were delisted.

Mr. Wong has over 16 years of experience in the corporate finance industry. He has held various positions, including chief financial officer, director and company secretary in different companies in Hong Kong, where he has extensive experience in handling corporate finance transactions such as mergers and acquisitions, capital fund raising and restructuring.

## SENIOR MANAGEMENT

The four Directors of the Company holding executive offices above are directly responsible for the various businesses of the Group. They are regarded as the members of the senior management of the Group.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## PRINCIPLES

Xinhua News Media Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) persistently strives to operate its business in an economic, social and environmentally sustainable manner. With “People-oriented, Integrity and Mutual Benefit” as its core value and the building of a society with harmonious ecological civilisation as its mission, the Group respects the talents and creativity, focuses on enhancing the social and human care on the products and also the responsibility for integrity, honesty, bringing industrial matrix and navigating forward.

This year, the Group is pleased to present its Environmental, Social and Governance (“ESG”) Report, which aims to demonstrate its efforts on sustainability developments to both internal and external stakeholders.

This report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The report primarily highlights the Group’s major initiatives and activities implemented from 1 April 2019 to 31 March 2020. For information regarding the governance section, please refer to the Corporate Governance Report in the Company’s Annual Report.

The Group is committed to the long-term sustainability of its business, as well as providing support to environmental protection and the communities in which it operates. Quality products and services are delivered to customers, and their business is managed prudently under sound decision-making processes. Dialogue is maintained with stakeholders such as shareholders, customers, employees, suppliers, creditors, regulators and the general public. The Group seeks to balance the views and interests of these stakeholders through constructive conversation with a view to setting the course for long-term prosperity. The board of directors (the “Board”) is responsible for evaluating and determining the environmental, social and governance risks of the Group, and ensuring that relevant risk management and internal control systems are in place and operate effectively.

This Report has primarily highlighted the major performance and disclosure implemented from 1 April 2019 to 31 March 2020 for the three environmental aspects and the eight social aspects. Lo’s Cleaning Services Limited (“Lo’s Cleaning”) is principally engaged in provision of cleaning and related services in Hong Kong. Siping Lo’s Environmental Technology Limited (“Siping Lo’s”) and Suihua Lo’s Environmental Technology Limited (“Suihua Lo’s”) are principally engaged in provision of medical waste treatment services in the People’s Republic of China (the “PRC”). For both environmental and social aspects, this Report will focus on Lo’s Cleaning, Siping Lo’s and Suihua Lo’s which are the material operating segments of the Group.

# Environmental, Social and Governance Report

## STAKEHOLDER ENGAGEMENT

Stakeholder engagement plays a core role in the sustainability of the Group. The Group fully appreciates the needs to build both online and offline communication channels and to provide stakeholders with timely reports on strategic planning and performance of the Group in order to establish a continuing communication mechanism with the stakeholders. In addition, the Group consults the stakeholders on their recommendations and propositions to ensure its business practices can meet the expectations of the stakeholders.

The stakeholders include the shareholders, governments and regulatory bodies, employees, customers, suppliers and society and the public. The Group discusses with the stakeholders through various channels for their expectations and relevant feedback of the Group as below:

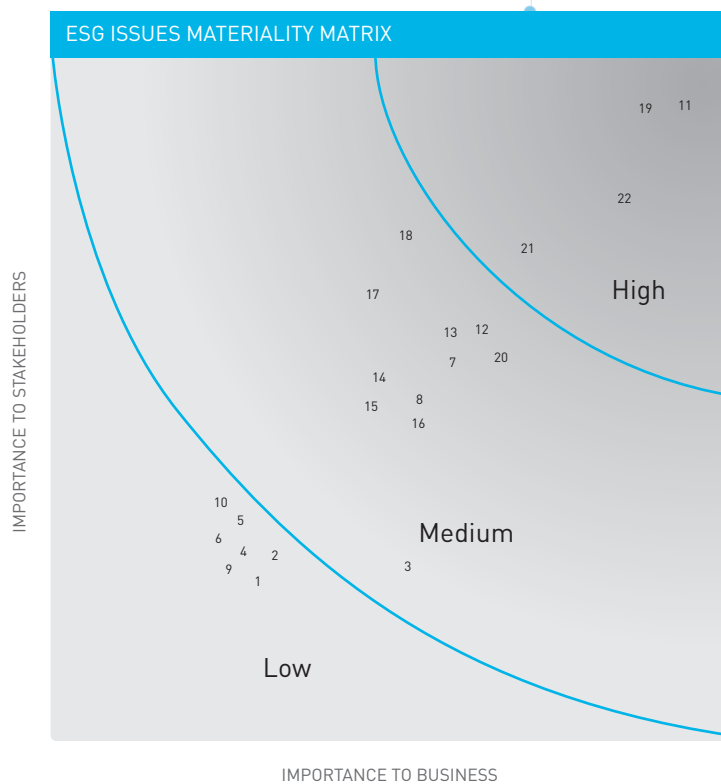
Stakeholders	Expectations	Communication and feedback
Shareholders	<ul style="list-style-type: none"> <li>Financial results</li> <li>ESG performance</li> <li>Corporate transparency</li> <li>Sound risk control</li> </ul>	<ul style="list-style-type: none"> <li>Growth in profitability</li> <li>Monitoring use of resources</li> <li>Regular information disclosure</li> <li>Optimising risk management and internal control</li> </ul>
Governments and regulatory bodies	<ul style="list-style-type: none"> <li>Compliance with laws and regulations</li> <li>Tax payment in accordance with laws</li> <li>Compliance with environmental regulations</li> </ul>	<ul style="list-style-type: none"> <li>Compliance operation</li> <li>Tax payment in full and on time</li> <li>Compliance of environmental policies</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Career development platform</li> <li>Salary and benefits</li> <li>Occupational health and safety</li> </ul>	<ul style="list-style-type: none"> <li>Promotion mechanism</li> <li>Competitive salary and employee benefits</li> <li>Providing trainings for employees and strengthen their safety awareness</li> </ul>
Customers	<ul style="list-style-type: none"> <li>Service quality</li> <li>Customer information security</li> <li>Customer rights and interests protection</li> </ul>	<ul style="list-style-type: none"> <li>Monitoring the customers' satisfaction level through enquiry and questionnaire</li> <li>Customer privacy protection</li> <li>Compliance marketing</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>Integrity cooperation</li> <li>Business ethics and credibility</li> </ul>	<ul style="list-style-type: none"> <li>Building a responsible supply chain</li> <li>Performing the contract according to law</li> </ul>
Society and the public	<ul style="list-style-type: none"> <li>Environmental protection</li> <li>Employment opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Putting into use environmental protection and energy saving equipment</li> <li>Providing employment opportunities</li> </ul>

# Environmental, Social and Governance Report

## MATERIALITY ASSESSMENT

During the year ended 31 March 2020, the Company conducted a comprehensive materiality assessment. This involved conducting interviews and/or surveys with internal and external stakeholders to identify which areas have the most significant operating, environmental and social impacts towards their business.

With reference to the scopes as required under the ESG Reporting Guide and taking into consideration of the corporate business characteristics, the Company has identified and confirmed 22 issues, which cover environmental, training and development, occupational health and safety, labour standards in supply chain, corporate governance, customer privacy, anti-corruption and community investments.



Environmental issues		Social issues		Operating issues	
1.	Greenhouse gas emissions	9.	Local community engagement	17.	Economic value generated
2.	Energy consumption	10.	Community investment	18.	Corporate governance
3.	Water consumption	11.	Occupational health and safety	19.	Anti-corruption
4.	Waste	12.	Labour standards in supply chain	20.	Supply chain management
5.	Saving energy measures	13.	Training and development	21.	Customer satisfaction
6.	Use of raw materials and packaging materials	14.	Employee welfare	22.	Customer privacy
7.	Utilisation of energy resources	15.	Inclusion and equal opportunities		
8.	Use of chemicals	16.	Talent attraction and retention		

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL

The Group makes continuous effort in managing and monitoring waste and residue content resulted from non-incineration process. The Group evaluates the capability of existing facilities in meeting the latest environmental requirements and national standards. During the year ended 31 March 2020, the Group was not aware of any breach of any laws in relation to emissions in respect of the two main businesses, namely, cleaning business and medical waste treatment business.

As instructed by the government, the medical waste treatment plants and transits stations are at least 800 meters separated from the residential areas and the community. The Group also sets a comprehensive policy regarding the potential risk and leakage during the process of transportation, storage, steaming.

### A1: Emissions

The cleaning business does not involve in any production activities and hence there were no emissions of pollutants to the atmosphere. However, the use of cleaning materials in form of detergents and chemical solutions will likely be producing environmentally unfriendly wastes to the environment. The Group strives to reduce the usage of these cleaning solutions and is now sourcing such cleaning solutions from suppliers who can supply environmentally friendly cleaning solutions.

The Group's two medical waste treatment plants had been operating smoothly since commencing operations. The patented medical waste treatment equipment uses steam-based technology and is environmentally friendly. From June 2017, the Group fully changed the boilers from that of coal-based to oil-based in order to reduce the emissions of pollutants into the atmosphere.

The Group is governed by the regulations under Environmental Protection Law of the PRC 《中華人民共和國環境保護法》, Atmospheric Pollution Prevention and Control Law of the PRC 《中華人民共和國大氣污染防治法》 and Urban Drainage and Sewage Treatment Ordinance 《城市排汙與污水處理條例》. During the year ended 31 March 2020, the Group did not recognise any non-compliance with the relevant laws and regulations applicable to medical wastes treatments in PRC and Hong Kong.

### Air pollutant emissions

During the year ended 31 March 2020, nitrogen oxides ("NOx"), Sulphur oxides ("SOx") and particulate matter ("PM") were emitted from fuel consumption of boilers and company vehicles.

The Group holds 19 motor vehicles, which are used for the transportation of medical waste between hospitals, transit stations and the treatment plants and to the sites of serviced area of cleaning and related services. 84,333 litres of diesels and 9,650 litres of unleaded petroleum have been consumed for the year ended 31 March 2020.

### Greenhouse Gas ("GHG") Emissions

Gaseous emissions from the use of motor vehicles:

Indicator	Unit	2020	2019
NOx#	Kg	637.5	671.1
SOx#	Kg	1.5	1.6
PM#	Kg	59.4	62.6

# The data is up to the date of disposal of Siping Lo's and Suihua Lo's (i.e. 9 March 2020)

The Group consumes electricity and diesel for the operation of medical waste treatment equipment and at the same time, greenhouse gas is also produced. During consumption of electricity and combustion of diesel, carbon dioxide ("CO<sub>2</sub>") is produced.

## Environmental, Social and Governance Report

GHG emissions from operations:

Indicator	Unit	2020	2019
GHG emission (Scope 1)	Tonnes of carbon dioxide equivalent ("Tonnes of CO <sub>2</sub> e")	683	742
GHG emission (Scope 2)*	Tonnes of CO <sub>2</sub> e	179	134
GHG emission (Scope 3)	Tonnes of CO <sub>2</sub> e	1,977	702
Total#	Tonnes of CO <sub>2</sub> e	2,839	1,578
Medical waste handled	Tonnes	2,913	2,994
GHG intensity	Tonnes of CO <sub>2</sub> e/Tonnes	1.0	0.5

Scope 1: It represents the petrol, diesel oil from consumption of motor vehicles and machine.

Scope 2: It represents the electricity purchased from power suppliers.

Scope 3: It represents the paper waste disposed at landfills and water used.

\* The emission factor is sourced from the China Northern Power Grid in 2017. The figures are calculated in accordance with the "Reporting Guidance on Environmental KPIs".

# The data is up to the date of disposal of Siping Lo's and Suihua Lo's (i.e. 9 March 2020)

Environmental performance from operations:

Indicator	Unit	2020	2019
Hazardous waste produced	Tonnes	N/A (Note 1)	N/A (Note 1)
Intensity	Tonnes of wastes/ Tonnes of medical waste handled	N/A	N/A
Non-hazardous waste produced#	Tonnes	1.7	2.3
Intensity#	Tonnes of wastes/ Tonnes of medical waste handled	0.001	0.001

Note 1: Hazardous waste produced by the factory is minimal. Therefore, no relevant figure is quantified.

# The data is up to the date of disposal of Siping Lo's and Suihua Lo's (i.e. 9 March 2020)

### Waste management

- Exhaust gas management

Exhaust gas is produced from the steaming of medical waste. 13,311 m<sup>3</sup> [2019: 14,069 m<sup>3</sup>] of purified exhaust gas has been emitted through the ventilation system. The gas emitted complied with the second level of Integrated Emission Standard of Air Pollutants of the PRC [《中華人民共和國大氣污染物綜合排放標準》GB16297-1996].

- Solid waste management

The Group strictly complies with the Technical Specifications for Steam-based Centralised Treatment Engineering on Medical Waste of the PRC [《中華人民共和國醫療廢物高溫蒸汽集中處理工程技術規範》GB18599-2001]. After treatment, the medical waste brings no harmful effects to human. The waste will be treated as daily household waste and sent to the garbage power station for the generation of power to the community. During the year ended 31 March 2020, the Group handled 2,913 tonnes (2019: 2,994 tonnes) of medical waste in total and of which 1,198 tonnes (2019: 2,481 tonnes) of medical waste has been sent to the garbage power station.



## Environmental, Social and Governance Report

- Sewage management

During the process of steaming and disinfection, large amount of sewage is produced. The Group has its own sewage treatment plant for purifying the sewage. By applying the membrane separation technology and traditional sewage biological treatment, all emitted sewage complied with the Discharge standard of water pollutants for medical organisation of the PRC (《中華人民共和國醫療機構水污染物排放標準》GB18466-2005). The sewage after treatments is stored and ready for reuse. During the year ended 31 March 2020, the medical treatment plant recycled 869 tonnes (2019: 925 tonnes) of water after treatment.

### Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with the Waste Disposal Ordinance, second level of Integrated Emission Standard of Air Pollutants of the PRC, Technical Specifications for Steam-based Centralised Treatment Engineering on Medical Waste of the PRC, Discharge standard of water pollutants for medical organisation of the PRC and other applicable laws and regulations that have a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous waste during the year ended 31 March 2020.

No fines or non-monetary sanctions for non-compliance had been incurred during the year ended 31 March 2020.

### A2: Use of Resources

The cleaning business of the Group uses relatively less energy and power due to the nature of such business. The water consumption, while relatively higher, is still at an overall low level. The Group strives to conserve energy and reduce water usage by encouraging the staff to be more environmentally-friendly conscious and have good manners.

The medical wastes business has a high standard of requirements in the waste discharges and as such, the Group adopts stringent internal procedures for the staff to follow when collecting and treating medical wastes, but at the same time, the Group also needs to show good habits in not being wasteful. The Group is required to follow the internal procedures when operating the equipment so as to be as efficient as possible when performing their duties.

It is the Group's policy to maintain the treatment process with an objective to reduce the energy waste during the treatment. This is the key for the Group to attribute to the environmental friendly strategies. The Group is committed to performing regular assessment in analysing data in aims for better management in the use of resources.

### Water consumption

In the process of medical waste treatment and cleaning, a large amount of water is required for steaming and cleaning. The Group strives to mitigate the water consumption and improve the efficiency of all plants by replacing more eco-friendly plants such that less water is required in the process of steaming.

### Paper usage

According to the Group's record, 1,680 Kg (2019: 2,310 Kg) of papers were used for office operations during the year ended 31 March 2020. Therefore, the Group has established a host of paper-saving initiatives to reuse and recycle paper. This is an opportunity to enhance environmental benefits by undertaking such conservative actions. Papers have been recycled by promoting double-sided printing and the use of telecommunication and electronic media.

## Environmental, Social and Governance Report

### Packing materials

During the process of collecting medical wastes, plastic containers are used. These plastic containers are either sharp box or general medical waste collection box. Sharp box is sealed and can only be used once. The general medical waste collection box is reused under the circumstances that the box is in good condition. During the year ended 31 March 2020, 72,720 boxes (2019: 57,339 boxes) have been disposed. The material used of the containers are in accordance with the Regulations on Special Packing, Vessel Standard and Warning Sign for Medical Waste of the PRC 《中華人民共和國醫療機構水污染物排放標準醫療廢物專用包裝物、容器標準和警示標識規定》, which does not use polyvinyl chloride ("PVC") plastic as the raw materials. Furthermore, each container on average is reused not less than 3 times.

The Group's total resources consumptions are listed as below:

Indicator	Unit	2020	2019
<b>Energy Consumption</b>			
Electricity consumption#	kWh	249,681	188,219
Electricity consumption intensity#	kWh/tonnes of medical waste handled	85.7	62.9
Water consumption#	m <sup>3</sup>	3,103	1,071
Water consumption intensity#	m <sup>3</sup> /tonnes of medical waste handled	1.1	0.4
Packaging materials#	Boxes	72,720	57,339
Packaging materials consumption intensity#	Boxes/tonnes of medical waste handled	25.0	19.2
Diesel oil#	Litres	249,935	275,572
Diesel oil consumption intensity#	Litres/tonnes of medical waste handled	86	92

# The data is up to the date of disposal of Siping Lo's and Suihua Lo's (i.e. 9 March 2020)

### A3: The Environment and Natural Resources

During the year ended 31 March 2020, the Group replaced existing vehicles with eco-friendly vehicles to reduce the emissions of NO<sub>x</sub>, SO<sub>x</sub> and PM. Besides, the Group also acquired new non-incineration medical waste equipment to reduce the emissions of CO<sub>2</sub>. In the future, the Group will acquire more environmental friendly machinery when making purchase decisions.

In a bid to create sustainable environmental value, the Group has implemented a set of energy-saving initiatives. Employee is required to save energy at offices or factories such as controlling the use of electric power for lighting and air-conditioning. Also, the Group focuses on daily maintenance and perseverance and implements a gaseous waste processing system in order to set up a comprehensive policy and uphold the efficient level of facilities.

The Group continuously is on the look-out for latest equipment that are environmentally-friendly and upgrade them as and when required. Staff are encouraged to pay attention to the importance of preserving the environment and that the staff should have a clear understanding of the Group's policies and procedures in this area.

# Environmental, Social and Governance Report

## B. SOCIAL

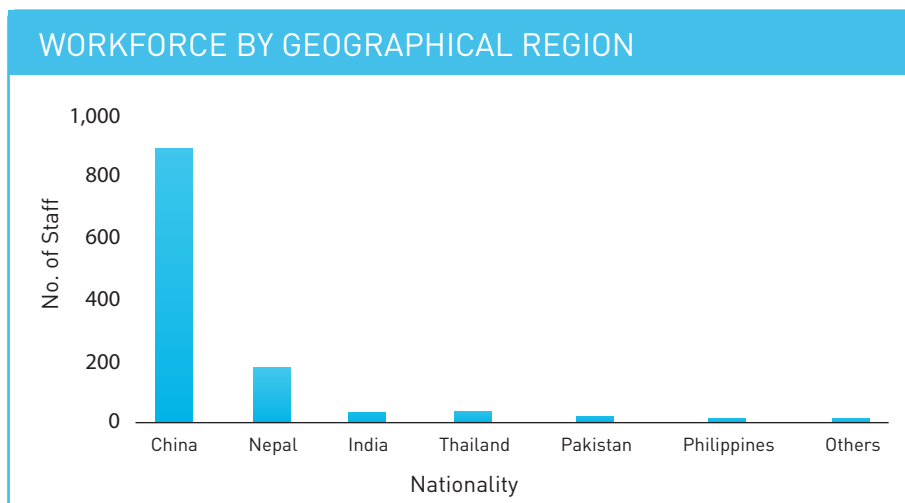
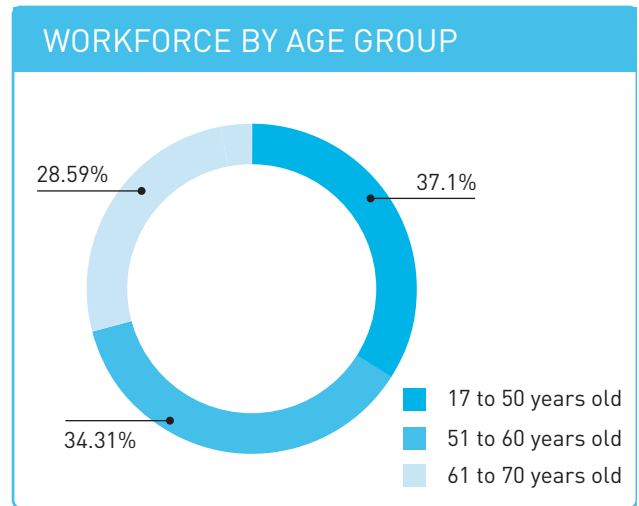
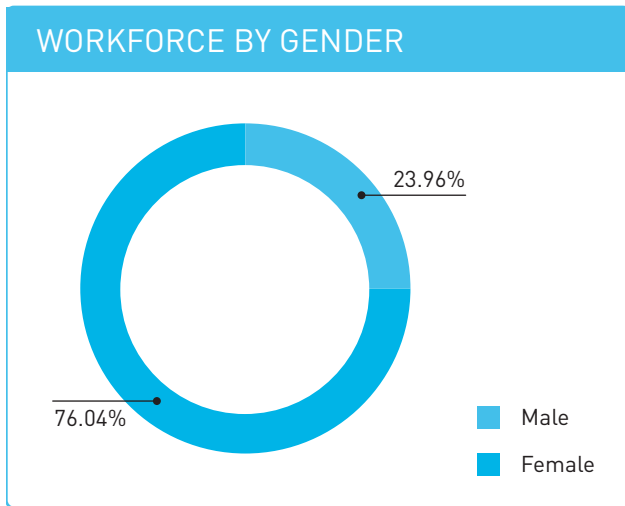
### B1: Employment

#### Labour practices

The Group strictly adheres to the prevailing legislation and codes of practice in the employment of staff. The Group supports the principles of the international declarations in the areas of child labour, forced labour, health and safety, wages and working hours, discrimination, discipline and freedom of association. The Group strictly complies with the Employment Ordinance and Minimum Wage Ordinance of Hong Kong and the Labour Law and the Employment Contract Law of the PRC 《中華人民共和國勞動法及勞動合同法》.

During the year ended 31 March 2020, there was no major change in policies relating to compensation and dismissal, recruitment, and promotion, working hours, equal opportunity, diversity and anti-discrimination. Staff handbook also highlights important information of policies on business conduct and the rights of termination.

As at 31 March 2020, the Group employed 966 (2019: 1,196) full-time staff and 328 (2019: 324) part-time staff. The Group welcomes all age range of people who are keen to learn and participate to join the Group. The male/female composition ratio of the Group is approximately 1: 3.81 (2019: 1: 2.76).



## Environmental, Social and Governance Report

For the year ended 31 March 2020, the turnover rate of the Group is about 5.8% (2019: 4.2%) with 918 (2019: 749) employees, including both part-time and full-time staff. About 30% of turnover staff were due to lay-off. To further promote good relationship with employees and lower the turnover rate, recreational and social activities are held for employees to increase the sense of work-life balance and sense of belongings.

### Equal opportunity

The workplace is also committed to be free from discrimination and received equal opportunities for all irrespective of age, gender, race, colour, sexual orientation, disability or marital status to increase employee satisfaction. The Group encourages labour diversity and welcomes all the full spectrum of the workforce, thus putting the principle of fairness into practices.

### Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with the Employment Ordinance of Hong Kong and Minimum Wage Ordinance of Hong Kong, the Labour Law of the PRC 《中華人民共和國勞動法》 and the Employment Contract Law of the PRC 《中華人民共和國勞動合同法》 and other applicable laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare during the year ended 31 March 2020.

No non-compliance that resulted in significant fines or sanctions was identified during the year ended 31 March 2020.

## B2 : Health and Safety

### Workplace health and safety

Occupational health and safety have been the Group's adopted policy superior to all. The Group has continued effort to instill safety concepts to employees and inculcating a safety culture within the Group. The Group implements national law and regulations and other standard related to workplace safety and occupational health. The Group has obtained the occupational health and safety management system certificates of OHSAS18001:2007 and ISO 14001:2004. Furthermore, a list of safety measures is implemented to ensure staff are working in a safe environment:

- Annual occupational health examination and body check-up are provided for all staff in PRC;
- Conduct regular safety training and refreshment courses for all staff;
- Provide all-round fall prevention equipment for staff working at height; and
- Review safety measures implemented annually to ensure that they remain relevant and appropriate to the Group.

Employees are asked to follow the safety manual and safety plan detailing the procedures and precautions stringently. To ensure employees understand the commitments, employees are constantly refreshed by the Safety and Training Manager to keep abreast of these requirements.

## Environmental, Social and Governance Report

In response to the outbreak of COVID-19, the Group has set out various guidelines, instructions, safety procedures which were put in place as below since February 2020.

- The Group issued notice to all staff and carry out the procedures as stated therein, i.e. all staff are required to have their body temperature checked in the morning and in the afternoon.
- The Group issued notice to require measuring the body temperature of all staff and visitors before entering the office;
- The Group issued notice to require all staff for health declaration after travelling abroad;
- The Group issued notice to require all staff and visitors to use 1:99 bleach to sterilise soles of shoes before entering the office;
- The Group issued warning guidance to protect against infection by COVID-19; and
- Air defenders and hand disinfectors are installed at various locations in the office.

### **Compliance with relevant laws and regulations**

The Group is not aware of any material non-compliance with the Occupational Safety and Health Ordinance of Hong Kong, Law of the PRC on Work Safety 《中華人民共和國安全生產法》, Regulations on Work-Related Injury Insurance of the PRC 《中華人民共和國工傷保險條例》 and other applicable laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards during the year ended 31 March 2020.

## B3 : Development and Training

### Employee Development and Training

The Group provides pre-employment and on-the-job training to its staff. The training covers health and safety at work, precautionary measures to be taken during inclement weather, rules and regulations for working in different worksites, proper use of tools, equipment and machines, safe handling of chemicals, grooming, customer service and code of conduct.

The Group has various training programs to fully develop its workforce. It is extremely important that safety is incorporated into the worksite orientation before the commencement of work. In addition to compulsory and optional internal training, the Group also encourages employees to attend external training programs held by government and recognised by relevant institutes, such as Vocation Training Council and Occupational Safety and Health Council.

There are several specific trainings in the PRC and Hong Kong:

- occupational safety and health regulations;
- importance and usage of personal protective equipment;
- measures of fire precaution, use of fire extinguishers and fire escape points;
- refresher course for licensed workers; and
- work at height for assessors and supervisors.

The managerial staff are nominated to attend forums, exhibitions and seminars organised by the professional bodies both local and overseas so that the Group has a sound grasp of the most modern technology and equipment in the industry in response to the customers' needs in a prompt, efficient, flexible and cost-effective manner.

To improve employee's knowledge and skillset, safety training in different aspects and evaluations are carried out throughout the year. During the year ended 31 March 2020, on average every staff attended 3.7 training courses (2019: 4.1 training courses) held by the Group.

## B4 : Labour Standards

### Child labour and forced labour

The Group prevents hiring child labour by conducting information verification of new employees. Without exception, during the year ended 31 March 2020, the Group is prohibited to employ any staffs who are under the legal working age for protecting young people at work.

### Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with the Employment Ordinance of Hong Kong, Employment of Children Regulations of Hong Kong, Labour Law of the PRC 《中華人民共和國勞動法》, Provisions on the Prohibition of Using Child Labour of the PRC 《中華人民共和國禁止使用童工規定》, Protection of Minors of the PRC 《中華人民共和國未成年人保護法》 and other applicable laws and regulations that have a significant impact on the Group relating to preventing child or forced labour during the year ended 31 March 2020.

# Environmental, Social and Governance Report

## B5 : Supply Chain Management

The Group makes various procurements, such as cleaning equipment and tools and consumables and containers especially for medical waste disposal.

Under the Integrated Management System, the Group has a subcontractor management plan to control the selection and supervision of subcontractors and suppliers such that they are up to the strict requirements in safety, environmental and quality performance.

The evaluation of a subcontractor/supplier includes experience, job references, past performance, statutory licenses and certificates as may be required, financial status, integrity, social responsibility and particular skills, competencies and professionalism of the management teams.

The Group regards the subcontractors and suppliers as the Group's business partners and work closely with them to warrant that the services are conducted in a manner that meets the highest professional and ethical standard assuring a quality end-product as well as continued confidence of the customers and the public.

## B6 : Product Responsibility

The Group is aware of the fierce market competition and aims to provide high standard of services. Continuous improvement is the Group's culture. The Group operates an Integrated Management System which means that the Group will consider and run the operation from quality, environmental and safety perspective at the same time. The Group is in compliance with the relevant laws and regulations that relates to product responsibility during the year ended 31 March 2020.

In the design of the staff organisation for a contract, the Group keeps in mind that there should be adequate staff at all levels. This could ensure that high quality of service expected can be provided and maintained and that tools, equipment and machines and most important personal protective equipment as is necessary are provided to ensure that the staff can carry out the work in an effective, efficient and safe manner.

The Group maintains constant communications with the customers, including visit, meeting and survey to receive their suggestions, comments and complaints in connection with the services.

Surprise and random checks and appraisals are conducted to self-evaluate the performance. The Group also holds a review meeting twice a month for review of the business, sharing of opinions and racking the brains to up-grade the service standards.

Besides, comprehensive training plans are devised for the contracts to ensure that all staff members are competent in handling their work with respect to quality, environmental and OHS requirements.

The Group seeks to provide efficient and courtesy customer service to customer satisfaction and co-operation with the Group. The Group keeps customers informed of the truth about the Group's capabilities and avoid misrepresentation, exaggeration and overstatement.

The Group always puts customers first by providing them with high-quality services at fees which are fair and reasonable.

### **Compliance with relevant laws and regulations**

The Group is not aware of any material non-compliance with the Trade Descriptions Ordinance of Hong Kong, Copyright Ordinance of Hong Kong, Law of the PRC on Product Quality 《中華人民共和國產品質量法》, Patent Law of the PRC 《中華人民共和國專利法》 and other applicable laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress during the year ended 31 March 2020.

No significant fines were incurred during the year ended 31 March 2020.

### B7 : Anti-corruption

The Group believes that honesty, integrity and fair play are the important assets in business and strictly adhered to the laws relating to corruption, bribery, extortion and money-laundering etc. Code of Conduct has been prepared, under which all employees are advised that they are prohibited from offering or soliciting advantages in connection with his or her duties and with the business of the Group and that any employee soliciting or accepting an advantage without the permission of the Group commits an offence under the Prevention of Bribery Ordinance.

The Code of Conduct also states clearly that the Group shall not tolerate any illegal or unethical acts. Offenders will be subject to disciplinary action, including summary dismissal and termination of employment. In cases of suspected corruption or other forms of criminal activity, a report will be made to ICAC or appropriate authorities.

The Group shall not tolerate the use of insider information by the employee to secure personal advantage at the expense of the Group or over those not in the Group. The use of insider information which has not been made public for personal gain is illegal, unethical and strictly prohibited.

A channel for raising complain is open to all employees, so that any possible breach of the Code of Conduct or unlawful or unethical conduct can be sent directly to the Senior Management for an impartial investigation.

#### **Compliance with relevant laws and regulations**

The Group is not aware of any material non-compliance with the Prevention of Bribery Ordinance of Hong Kong, Anti-Unfair Competition Law of the PRC 《中華人民共和國反不正當競爭法》 and other applicable laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering during the year ended 31 March 2020.

There is no legal case concerning corruption brought against the Group or its employees during the year ended 31 March 2020.

### B8 : Community Investment

Corporate social responsibility might use to sound foreign before but now it is a must for enterprises. As a commitment to making Hong Kong a more caring and just society in good and bad times, the Group sets out the following criteria to be followed and satisfied themselves.

During the year ended 31 March 2020, the Group participated an event 「傳誠感應無限愛點亮恆安」 held by The Hong Kong Federation of Trade Unions Ma On Shan Branch in June 2019, the Group sponsored sensor lamps to the elderly residents for avoiding body injury at night time.

At one of the major residential sites where the Group provides contract cleaning, the Group conducts monthly recycling activities whereby encouraging residents to exchange recycle items, such as glass bottles/jars, newspapers, plastics, etc. with consumer products sponsored by the Group. The Group arranges a recycling contractor to collect the recycle items.

The Group also promotes the message of enhancing an inclusive society by employing disabled people.

The Group is committed to promoting social welfare, building a more just and caring society in collaboration with other sectors.



# CORPORATE GOVERNANCE REPORT

The board (the "Board") of directors (the "Directors") of Xinhua News Media Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") hereby present this Corporate Governance Report in the Company's annual report for the year ended 31 March 2020.

The Board is committed to maintaining a high corporate governance standard and procedures to safeguard the interests of the Company's shareholders ("Shareholders") and to enhance corporate value, accountability and transparency.

## Corporate Governance Practices

The Board recognises the vital importance of a good corporate governance to the Group's management, success and sustainability. Corporate governance practices would be reviewed from time to time to ensure compliance with the regulatory requirements and to meet the rising expectations of Shareholders and investors relating to corporate value, transparency and accountability of all its operations.

The Company strived to maintain a high standard of corporate governance and complied with the Corporate Governance Code (the "CG Code") as stated in Appendix 14 of the Rules Governing the Listing Securities on Main Board (the "Listing Rules") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company has adopted the code provisions in the CG Code as its own code of corporate governance. Save as the deviation from the code provision A.2.1, separation of roles of chairman and chief executive pursuant to code provision A.2.1 as disclosed in the section "Chairman and Chief Executive". The Board considers that the Company has complied with the CG Code throughout the year ended 31 March 2020.

## Compliance with the Model Code for Directors' Securities Transactions

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its model code of conduct for securities transactions by Directors. All Directors have confirmed, following specific enquiry by the Company, that they fully complied with the required standard as set out in the Model Code throughout the year ended 31 March 2020.

The Company also has established written guidelines on no less exact 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.

## BOARD OF DIRECTORS

### Composition

As at the date of this annual report, the Board comprises four executive Directors and three independent non-executive Directors. The list of Directors during the year is set out in the section headed "Report of the Directors" of this annual report.

The Board includes a balanced composition of executive Directors and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

The independent non-executive Directors are of sufficient calibre and number for their views to carry weight. The functions of independent non-executive Directors include, but not limited to:

- bringing an independent judgement at Board meetings;
- taking the lead where potential conflicts of interests arise;
- serving on Board committees if invited; and
- scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting.

The Board has a balance of skills and experience appropriate for the requirements of the business of the Company. The Directors' biographical information is set out in the section headed "Biographical Information of Directors and Senior Management" of this annual report.

Composition of the Board, including names of independent non-executive Directors of the Company, is disclosed in all corporate communications to Shareholders.

The Company has maintained on its website and on the Stock Exchange's website an updated list of its Directors identifying their role and function and whether they are independent non-executive Directors.

Directors have given sufficient time and attention to the affairs of the Group. All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors have been invited to serve on the different Board committees to monitor observance of corporate governance objectives, take lead where potential conflicts arise and to contribute to the development of the Company's strategy and policies.

### Responsibilities and Function

The Board is responsible for the overall management and performance monitoring of the Group. Its main roles are to provide leadership and to take responsibility for decisions relating to major and significant matters on policies formulation, financial and operation performances, major acquisitions and disposals and Directors' appointment. The Directors perform their duties in good faith and in the interests of the Company and its Shareholders as a whole at all times.

The day-to-day management, administration and operation of the Company are delegated to the executive Directors and senior management of the Company within the control and authority framework set by the Board. The delegated functions and work tasks are periodically reviewed by the Board. The Board has the full support of the management of the Company to discharge its responsibilities. Information and updates of the Company's performance and position are given to all Directors in a timely manner to enable the Directors to discharge their duties. In addition, the Board has also delegated various responsibilities to the audit committee, the remuneration committee, the nomination committee, the strategy and development committee and the corporate governance committee. Further details of these committees are set out in this annual report.

## Corporate Governance Report

All Directors have full and timely access to all relevant and available information as well as the advice and services of the Company Secretary and management of the Company with a view to ensuring compliance with Board procedures and all applicable laws and regulations. Any Director may request independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request made to the Board.

### Change in Directors' Information

Pursuant to the relevant requirements under the Listing Rules, changes in the composition of the Board and Board committees during the year ended 31 March 2020 and up to the date of this annual report are as follows:

- Mr. Li Bing resigned as an executive Director of the Company and ceased to act as a member of each of the executive committee, strategy and development committee and corporate governance committee of the Company on 1 June 2019.
- Ms. Lee Suen was redesignated from independent non-executive Director to executive Director, and ceased to act as a member of audit committee of the Company but remained as a member of each of the remuneration committee and nomination committee of the Company on 1 June 2019. She resigned as an executive Director and ceased to act as a member of each of the remuneration committee and nomination committee of the Company on 18 December 2019.
- Mr. Wang Chunping was appointed as an independent non-executive Director of the Company and a member of each of the audit committee, strategy and development committee and corporate governance committee of the Company on 1 June 2019. He resigned as an independent non-executive Director of the Company and ceased to act as a member of each of the audit committee, strategy and development committee and corporate governance committee of the Company on 31 October 2019.
- Mr. David Wei Ji resigned as an executive Director, chief operating officer and authorized representative of the Company and ceased to act as a chairman of corporate governance committee, and a member of each of executive committee and strategy and development committee of the Company on 14 October 2019.
- Ms. Chen Ming resigned as an executive Director and ceased to act as a member of each of the strategy and development committee, executive committee and corporate governance committee of the Company on 31 October 2019.
- Mr. Wong Kam Tai Kamsuo was appointed as a non-executive Director on 8 November 2019. He resigned as a non-executive Director on 29 February 2020.
- Mr. Huang Wen Kai resigned as an executive Director and ceased to act as a member of each of the strategy and development committee, executive committee and corporate governance committee of the Company on 17 January 2020.
- Mr. Li Jingzhi was appointed as an executive Director and as a member of each of the strategy and development committee, executive committee and corporate governance committee of the Company on 17 January 2020. He resigned as an executive Director and ceased to act as a member of each of the strategy and development committee, executive committee and corporate governance committee of the Company on 29 February 2020.
- Mr. Tsui Kwok Hing was appointed as an executive Director, the Co-Chief Executive Officer, the authorized representative, and the chairman of each of the executive committee, strategy and development committee, nomination committee and corporate governance committee of the Company on 12 February 2020. He was redesignated from Co-Chief Executive Officer of the Company to Chief Executive Officer of the Company on 27 April 2020. He resigned from the role of Chief Executive Officer of the Company on 31 May 2020.

- Mr. Wong Hon Kit was appointed as an independent non-executive Director on 12 February 2020. He was appointed as a member of each of the audit committee, remuneration committee, nomination committee and corporate governance committee of the Company on 31 March 2020.
- Mr. Ho Hin Yip resigned as an independent non-executive Director of the Company and ceased to act as a member of each of the audit committee, remuneration committee, nomination committee and corporate governance committee of the Company on 31 March 2020.
- Mr. Fu Jun was appointed as an executive Director of the Company and a member of the executive committee and strategy and development committee of the Company on 7 April 2020.
- Mr. Leung Cheung Hang was appointed as an executive Director of the Company and a member of nomination committee of the Company on 21 April 2020.
- Mr. Chan Chun Wo resigned as the authorized representative of the Company and ceased to act as the chairman of each of the executive committee, strategy and development committee, nomination committee and corporate governance committee of the Company and redesignated from Chief Executive Officer of the Company to Co-Chief Executive Officer of the Company on 12 February 2020. He was removed as the Co-Chairman of the Board, Co-Chief Executive Officer and an executive Director of the Company on 27 April 2020.
- Mr. Lo Kou Hong was redesignated from Co-Chairman of the Board to Chairman of the Board on 27 April 2020.

### Directors' Training and Continuous Professional Development

The Company encourages the Directors to participate in professional development courses and seminars to develop and refresh their knowledge and skills.

Pursuant to A.6.5 of the CG Code, directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

Up to the date of this report, regulatory updates and relevant materials on amendments of the Listing Rules have been sent to the Directors for their awareness of the latest development on regulatory requirements, to ensure that they are fully aware of the responsibilities and obligations of directors under the Listing Rules and relevant regulatory requirements.

### Directors' and Officers' Insurance

The Company has arranged for appropriate liability insurance for the Directors to cover their liabilities arising out of corporate activities. The coverage and the sum insured under the policy are to be reviewed regularly.

### Chairman and Chief Executive

As at 31 March 2020, the roles of the chairman of the Board and the chief executive of the Company was not separated as Mr. Chan Chun Wo acted as both the Co-Chairman of the Board and Co-Chief Executive Officer of the Company. On 27 April 2020, subsequent to the removal of Mr. Chan Chun Wo as the Co-Chairman of the Board, Co-Chief Executive Officer and an executive Director of the Company, the Co-Chairman of the Board, Mr. Lo Kou Hong and the Co-Chief Executive Officer of the Company, Mr. Tsui Kwok Hing, took over the roles of the Chairman of the Board and the Chief Executive Officer of the Company respectively. On 31 May 2020, Mr. Tsui Kwok Hing resigned the role of Chief Executive Officer of the Company.

After Mr. Tsui Kwok Hing's resignation, the position of the Chief Executive Officer in the Company is still vacant up to the date of this report.

The Company will, from time to time, review the effectiveness of the Group's corporate governance structure and consider whether any changes, including the re-establishment of the role of the Chief Executive Officer.

## Corporate Governance Report

### Appointment, Re-election and Removal of Directors

Appointment of new Directors is a matter for consideration by the nomination committee. The nomination committee will evaluate, select and recommend candidate(s) for directorship to the Board on the appointments and re-appointments of Directors. The Board adopted a Nomination Policy in May 2019 which sets out the selection criteria and process to guide the nomination committee and the Board in relation to nomination and appointment of Director(s) of the Company.

According to the Company's Articles of Association, all Directors are subject to retirement by rotation at least once every three years and are eligible for re-election at the annual general meetings of the Company. Any new Director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting of the Company after appointment and shall then be eligible for re-election at that meeting.

All executive Directors have entered into service agreements with the Company for a term of not more than three years, all independent non-executive Directors were appointed by way of letter of appointment.

## BOARD MEETINGS

### Board Practices and Conduct of Meetings

The Directors met regularly as and when required by business needs. At least four Board meetings were held every year. Schedules for Board meetings are normally agreed with the Directors in advance in order to facilitate them to attend. Directors may participate in meetings in person or through electronic means of communication. At all times reasonable notice are given to enable all Directors to attend board meetings and to include matters for discussion in the agenda as they think fit.

Draft agenda of each meeting is normally made available to Directors in advance. In addition, Board papers together with all appropriate, complete and reliable information are sent to all Directors as soon as practicable before each Board meeting or committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the management of the Company whenever necessary.

Generally, 14 days' notice of a regular Board meeting should be given and the Company aims at giving reasonable notice for all other Board meetings. The Company Secretary is responsible to keep minutes of all Board meetings and committee meetings and assists the chairman in drawing up the agenda of each meeting and each Director may request inclusion of matters in the agenda. Minutes are recorded in sufficient detail regarding the matters considered by the Board and the Board committees meetings are kept by the Company Secretary and are open for Directors' inspection.

All Directors have access to the Company Secretary who is responsible for ensuring the Board procedures are complied with and all applicable rules and regulations are followed.

The Company's Articles of Association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest. According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a Director, shall be considered and dealt with by the Board at a duly convened Board meeting.

### Access to Information

The Directors may seek independent professional advice in appropriate circumstances, at the Company's expenses. The Company will, upon request, provide professional advice to Directors to assist the relevant Directors to discharge their duties to the Company.

The Board is supplied with relevant information by the management pertaining to matters to be brought before the Board for decision as well as reports relating to operational and financial performance of the Group before each Board meeting. Where any Director requires more information than is volunteered by the management, each Director has the right to separately and independently access to the Company's management to make further enquiries if necessary.

## Independent Non-executive Directors

Pursuant to Rule 3.10 and 3.10A of the Listing Rules during the year and at the date of this report, the Company has had three to four independent non-executive Directors representing at least one-third of the Board at any time and at least one of the independent non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise.

The Company has received from each of its independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that all of the independent non-executive Directors are independent.

## Attendance Records

The attendance record at the Board and its committee meetings in year ended 31 March 2020 demonstrates Directors' strong commitment to the Company. During the financial year ended 31 March 2020, the Directors have made active contribution to the affairs of the Group and a total of twenty one Board meetings were held to, among other things, review and approve the interim results and the final results of the Group. Directors have devoted sufficient time and attention to performing their duties and responsibilities towards the Group.

All Directors have access to the advice and services of the Company Secretary. The Company Secretary is responsible for ensuring that Board procedures are followed and for facilitating information flows and communications among Directors as well as with Shareholders and management.

Attendance record of each Director at the meetings of the Board and the 2019 annual general meeting (the "AGM"), during the year ended 31 March 2020 are set out below.

	Board Meetings attended	2019 AGM
<b>Executive Directors</b>		
Mr. Lo Kou Hong ( <i>Chairman</i> )	20/21	1/1
Mr. Chan Chun Wo (Note 1)	19/21	1/1
Mr. David Wei Ji (Note 2)	9/21	1/1
Mr. Huang Wen Kai (Note 3)	17/21	1/1
Ms. Chen Ming (Note 4)	12/21	1/1
Mr. Li Bing (Note 5)	1/21	N/A
Ms. Lee Suen (Note 6)	16/21	1/1
Mr. Li Jingzhi (Note 7)	2/21	N/A
Mr. Tsui Kwok Hing (Note 8)	3/21	N/A
<b>Non-executive Director</b>		
Mr. Wong Kam Tai Kamsuo (Note 9)	6/21	N/A
<b>Independent Non-executive Directors</b>		
Mr. Wang Qi	21/21	1/1
Mr. Tsang Chi Hon	21/21	1/1
Mr. Ho Hin Yip (Note 10)	21/21	1/1
Mr. Wang Chunping (Note 11)	9/21	1/1
Mr. Wong Hon Kit (Note 12)	3/21	N/A

## Corporate Governance Report

### Notes:

- (1) He was removed on 27 April 2020.
- (2) 9 Board meetings were held before his resignation on 14 October 2019.
- (3) 17 Board meetings were held before his resignation on 17 January 2020.
- (4) 12 Board meetings were held before her resignation on 31 October 2019.
- (5) 1 Board meeting was held before his resignation on 1 June 2019. The AGM was held after his resignation.
- (6) She was redesignated from independent non-executive Director to executive Director on 1 June 2019. 16 Board meetings were held before her resignation on 18 December 2019.
- (7) 2 Board meetings were held between his appointment on 17 January 2020 and his resignation on 29 February 2020. The AGM was held before his appointment.
- (8) 3 Board meetings were held after his appointment on 12 February 2020. The AGM was held before his appointment.
- (9) 6 Board meetings were held between his appointment on 8 November 2019 and his resignation on 29 February 2020. The AGM was held before his appointment.
- (10) 21 Board meetings were held before his resignation on 31 March 2020.
- (11) 9 Board meetings were held between his appointment on 1 June 2019 and his resignation on 31 October 2019.
- (12) 3 Board meetings were held after his appointment on 12 February 2020. The AGM was held before his appointment.

## BOARD COMMITTEES

The Board has established six Board committees, namely, remuneration committee, audit committee, nomination committee, corporate governance committee, strategy and development committee and executive committee, for overseeing particular aspects of the Company's affairs and assisting in the execution of the Board's responsibilities. All Board committees except the executive committee have defined written terms of reference. The list of the Chairman and of members of each committee is set out in each of the following Board committee section. The meeting procedures follow the statutory procedures for Board meetings. To assist the Board committees to perform their responsibilities, sufficient resources are provided and independent advice is also available on request at the Company's expenses.

### 1. Remuneration Committee

The remuneration committee was established on 12 July 2005 with written terms of reference in compliance with Rule 3.25 of the Listing Rule and a copy of which is posted on the website of the Company and of the Stock Exchange. The remuneration committee has adopted the approach under code provision B.1.2(c)(ii) of the CG Code and made recommendations to the Board on the Group's overall policy and structure for the remuneration of Directors and senior management.

The duties of the remuneration committee include, amongst other things:

- make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

## Corporate Governance Report

- determine, with delegated responsibility from the Board, the remuneration packages of individual executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of independent non-executive Directors. The committee shall consider salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the group;
- review and approve compensation payable to executive Directors for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive for the Company;
- review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and
- ensure that no Director or any of his associates is involved in deciding his own remuneration.

The Company may consult the Chairman of the Board about their remuneration proposals for other executive Directors. The remuneration committee may seek independent professional advice to perform its responsibilities if it considers necessary.

During the year, four remuneration committee meetings were held, its members and their attendance records are as follows:

	Meetings attended
Mr. Tsang Chi Hon ( <i>Chairman of the committee</i> )	4/4
Mr. Wang Qi	4/4
Mr. Ho Hin Yip (resigned on 31 March 2020)	4/4
Ms. Lee Suen (resigned on 18 December 2019) (Note 1)	3/4
Mr. Wong Hon Kit (appointed on 31 March 2020) (Note 2)	N/A

Notes:

(1) 3 meetings were held before her resignation.

(2) No meeting was held after his appointment.

The major works performed by the remuneration committee during the year included, amongst other things, the following:

- reviewing the effectiveness of the Company's remuneration policy and structure for all Directors and senior management;
- reviewing the remuneration package for Directors; and
- considering and approving the terms of service agreement of each of the Directors.



# Corporate Governance Report

## 2. Audit Committee

The audit committee was established on 12 July 2005 with written terms of reference in compliance with Rule 3.2.1 of the Listing Rules and a copy of which is posted on the website of the Company and of the Stock Exchange. None of the members of the audit committee is a former partner of the Company's existing external auditors.

The duties of the audit committee include, amongst other things:

- review the financial statements and reports and consider any significant or unusual items raised by the financial officers of the Group or external auditors before submission to the Board;
- review and monitor the external auditors' independence and the effectiveness of the audit process in accordance with applicable standard;
- make recommendation to the Board on the appointment, re-appointment and removal of external auditors;
- review the adequacy and effectiveness of the Company's financial reporting system, internal control system, risk management system and associated procedures, and
- report to the Board on the matters set out in the code provisions as stated in Appendix 14 to the Listing Rules.

The audit committee may seek independent professional advice to perform its responsibilities if it considers necessary.

During the year, three audit committee meetings were held, its members and their attendance records are as follows:

	Meetings attended
Mr. Tsang Chi Hon ( <i>Chairman of the committee</i> )	3/3
Mr. Wang Qi	3/3
Mr. Ho Hin Yip (resigned on 31 March 2020)	3/3
Ms. Lee Suen (redesignated to executive Director on 1 June 2019 and ceased to act as member of the committee) (Note 1)	N/A
Mr. Wang Chunping (appointed on 1 June 2019 and resigned on 31 October 2019) (Note 2)	2/3
Mr. Wong Hon Kit (appointed on 31 March 2020) (Note 3)	N/A

Notes:

- (1) No meeting was held before her resignation.
- (2) 2 meetings were held before his resignation.
- (3) No meeting was held after his appointment.

The major works performed by the audit committee during the year included, amongst other things, the following:

- reviewing the final results for the year ended 31 March 2019;
- reviewing the financial controls, risk management and internal control systems for the year ended 31 March 2019;
- reviewing the interim results for the six months ended 30 September 2019; and
- proposing the re-appointment of ZHONGHUI ANDA CPA Limited as the auditors of the Company.

During the year, the Board had no disagreement with the audit committee's view on the selection, appointment, resignation or dismissal of the external auditors.

The accounts for the year were audited by ZHONGHUI ANDA CPA Limited whose term of office will expire upon the forthcoming AGM. The audit committee has recommended to the Board that ZHONGHUI ANDA CPA Limited be nominated for re-appointment as the auditors of the Company at the forthcoming AGM.

### 3. Nomination Committee

The nomination committee was established on 8 March 2012 with written terms of reference in compliance with paragraph A.5.1 of Appendix 14 to the Listing Rule and a copy of which is posted on the website of the Company and of the Stock Exchange.

The main duties of the nomination committee include, among other things:

- review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;
- make recommendations on relevant matters relating to the appointment and re-appointment of Directors and succession planning for Directors; and
- to review the diversity of Board member policy and the progress of achieving the objectives of the Board diversity policy.

The nomination committee may seek independent professional advice to perform its responsibilities if it considers necessary.

#### *Nomination Policy*

The Board has adopted a Nomination Policy on 29 May 2019, the Nomination Policy sets out the approach to guide the nomination committee in relation to the evaluation, selection and recommendation of the Directors of the Company. The selection criteria specified in the Nomination Policy include:

- character and integrity;
- qualifications, including experience in the relevant industries the Company's business is involved in and other professional qualifications;
- the Company's Board Diversity Policy, having considered a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, perspectives, skills, knowledge and length of service;
- commitment for responsibilities of the Board in respect of available time and relevant interest;
- contribution that the candidate(s) can potentially bring to the Board; and
- any other relevant factors as may be determined by the nomination committee or the Board from time to time.

The nomination committee will identify candidates in accordance with the selection criteria set out in the Nomination Policy, evaluate the candidates and recommend to the Board for the appointment of the appropriate candidate for directorship. The Board decides the appointment based upon the recommendation of the nomination committee and the Board has the final authority on determining suitable Director candidate for directorship.

## Corporate Governance Report

### Board Diversity Policy

The Board has adopted the Board Diversity Policy on 30 April 2014 and revised on 10 January 2019. In designing the Board's composition, the diversity of members of the Board has been considered from a number of aspects, including but not limited to gender, age, educational background, professional experience and qualifications, relevant industry experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered and selected based on a range of diversity perspectives including but not limited to the said aspects.

The Board appointments will continue to be made on a merit basis and candidates will be considered against objective criteria, with due regard for the benefits of diversity in the Board. The Board will continue to review the Policy to ensure its continued effectiveness on an annual basis.

During the year, four nomination committee meetings were held, its members and their attendance records are as follows:

	Meetings attended
Mr. Tsui Kwok Hing ( <i>Chairman of the committee</i> ) (appointed on 12 February 2020) (Note 1)	N/A
Mr. Chan Chun Wo (resigned on 12 February 2020)	3/4
Mr. Wang Qi	4/4
Mr. Tsang Chi Hon	4/4
Mr. Ho Hin Yip (resigned on 31 March 2020)	4/4
Ms. Lee Suen (resigned on 18 December 2019) (Note 2)	3/4
Mr. Wong Hon Kit (appointed on 31 March 2020) (Note 3)	N/A

Notes:

- (1) No meeting was held after his appointment.
- (2) 3 meetings were held before her resignation.
- (3) No meeting was held after his appointment.

The major works performed by the nomination committee during the year included, amongst other things, the following:

- reviewing the structure, size and composition of the board;
- accessing the independence of the independent non-executive Directors; and
- considering and making recommendations to the Board on the re-election of Directors at the AGM.

#### 4. Corporate Governance Committee

The corporate governance committee was established on 24 June 2014 with written terms of reference in compliance with paragraph D.3.1 of Appendix 14 to the Listing Rule and a copy of which is posted on the website of the Company and of the Stock Exchange.

The duties of the corporate governance committee include, amongst other things:

- develop, review and update the Company's policies and practices on corporate governance and make recommendation;
- review and monitor the training and continuous professional development of Directors and senior management;
- review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- develop, review and monitor the code of conduct applicable to employees and Directors; and
- review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

## Corporate Governance Report

During the year, one corporate governance committee meeting was held, its members and their attendance records are as follows:

	Meeting attended
Mr. Tsui Kwok Hing ( <i>Chairman of the committee</i> ) (appointed on 12 February 2020) (Note 1)	N/A
Mr. David Wei Ji (resigned on 14 October 2019)	1/1
Mr. Chan Chun Wo (resigned on 12 February 2020)	1/1
Mr. Huang Wen Kai (resigned on 17 January 2020)	1/1
Ms. Chen Ming (resigned on 31 October 2019)	1/1
Mr. Li Bing (resigned on 1 June 2019) (Note 2)	N/A
Mr. Tsang Chi Hon	1/1
Mr. Ho Hin Yip (resigned on 31 March 2020)	1/1
Mr. Wang Chunping (appointed on 1 June 2019 and resigned on 31 October 2019)	1/1
Mr. Wong Hon Kit (appointed 31 March 2020) (Note 3)	N/A

Notes:

- (1) No meeting was held after his appointment.
- (2) No meeting was held before his resignation.
- (3) No meeting was held after his appointment.

The major works performed by the corporate governance committee during the year included, amongst other things, the following:

- reviewing the environmental, social and governance report for the year ended 31 March 2019;
- reviewing the training and continuous professional development of Directors; and
- reviewing the effectiveness of the corporate governance and system of internal controls of the Group.

### 5. Strategy and Development Committee

The strategy and development committee was established on 24 June 2014 with written terms of reference and a copy of which is posted on the website of the Company and of the Stock Exchange.

The main duties of the strategy and development committee include, among other things:

- review the documents from the senior management of the Company on issues relating to its strategies and developments (such as vision of the Company, mission of the Company, and annual strategy documents) on a regular basis and make recommendations to the Board regarding any proposed changes;
- identify marketing changes and competition or make recommendations to the Board on issues relating to the Company's strategies and developments, such as Company's market positions, pricing strategic, new markets and strategic partnerships;
- make recommendations to the Board on matters relating to the Company's strategies; and
- all such other responsibilities and powers as may be delegated by the Board from time to time.

## Corporate Governance Report

During the year, one strategy and development committee meeting was held, its members and their attendance records are as follows:

	Meeting attended
Mr. Tsui Kwok Hing ( <i>Chairman of the committee</i> ) (appointed on 12 February 2020) (Note1)	N/A
Mr. Chan Chun Wo (resigned on 12 February 2020)	1/1
Mr. David Wei Ji (resigned on 14 October 2019)	1/1
Mr. Huang Wen Kai (resigned on 17 January 2020)	1/1
Ms. Chen Ming (resigned on 31 October 2019)	1/1
Mr. Li Bing (resigned on 1 June 2019) (Note 2)	N/A
Mr. Tsang Chi Hon	1/1
Mr. Wang Chunping (appointed on 1 June 2019 and resigned on 31 October 2019)	1/1

Notes:

- (1) No meeting was held after his appointment.
- (2) No meeting was held before his resignation.

### 6. Executive Committee

The executive committee operates as a general management committee under the direct authority of the Board to increase the efficiency for the business decision.

During the year ended 31 March 2020, the executive committee did not hold any meeting and its members are as follows:

Mr. Tsui Kwok Hing (*Chairman of the committee*) (appointed on 12 February 2020)  
Mr. Chan Chun Wo (resigned on 12 February 2020)  
Mr. David Wei Ji (resigned on 14 October 2019)  
Mr. Huang Wen Kai (resigned on 17 January 2020)  
Ms. Chen Ming (resigned on 31 October 2019)  
Mr. Li Bing (resigned on 1 June 2019)  
Mr. Tsang Chi Hon

### RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 March 2020 which were prepared in accordance with statutory requirements and applicable accounting standards and were prepared to reflect the true and fair view of the state of affairs, results and cash flows of the Group and in compliance with relevant law and disclosure provisions of the Listing Rules. In preparing the financial statements for the year ended 31 March 2020, the Directors made judgments and estimated that are prudent and reasonable, and have prepared the financial statements on a going concern basis. The Directors also ensure that the financial statements of the Group are published in a timely manner. The reporting responsibilities of the auditors on the financial statements are set out in the section headed "Independent Auditors' Report" of this annual report.

In respect of code provision C.1.3 of the CG Code, the Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

### INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

The Board acknowledges that it is responsible for maintaining the effectiveness of the risk management and internal control systems to safeguard the assets of the Group. Such systems are designed to manage rather than eliminate risks of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The audit committee is delegated by the Board to assist the Board in fulfilling the above responsibilities.

During the year, the Board, through the audit committee and an independent advisor, has reviewed the risk management and internal control systems of the Group, which covers all material financial, operational, compliance controls and risk management functions, and considered the risk management and informed the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function. The Board concluded that the risk management and internal control systems are adequate and effective.

In light of the Group's size, nature and complexity of the business, management currently is of the view that the need for setting up an independent internal audit function is not significant. The need for an independent internal audit function will be reviewed from time to time. The Board was satisfied to the effectiveness of the internal control system of the Company including the adequacy of resources, qualifications and experience of staff members of the Company's accounting and financial reporting function.

### Main Features of Risk Management and Internal Control Systems

The key elements of the Group's risk management and internal control systems include a well-defined management structure with limits of authority, clear policies, standard operation procedures, and risk control self-assessment conducted for all major operating units of the Group. The system is designed to provide reasonable assurance of no material misstatement or loss and to manage risks failure in operational systems and achievement of the Group's objectives.

The Board has the overall responsibility to ensure that sound and effective internal controls are maintained, but the management is responsible for designing and implementing internal control systems to manage all kinds of risks faced by the Group. The operating units and support functions are facilitated and coordinated by the management and ensure that risk management processes and mitigation plans follow good practices and guidelines established in their day-to-day operations.

The Group's risk management activities are performed by management on an ongoing basis. The effectiveness of the Group's risk management and internal control systems is evaluated at least annually to update the progress of risk monitoring efforts.

### Process used to identify, evaluate and manage significant risks

Management will assess the nature and impact of risk, and report issues to the Board. The Group identifies outside and inside events by reviewing its external and internal environment and stakeholders, which have an influence or potential influence on the Group's ability to achieve its strategy and business objectives.

The Board, according to the risk report, would take appropriate action to eliminate the risks. Risks which cannot be accepted or are beyond the Company's risk appetite are transferred, eliminated or controlled through risk mitigation measures. Each risk mitigation measure has a process owner who is a Department Manager and a target completion date is assigned to ensure accountability. Risks owners are also responsible for monitoring the status of the risk mitigation measures for risks under their purview.

## Corporate Governance Report

### Process used to review the effectiveness of the Risk Management and Internal Control Systems

The Board and audit committee review the internal control issues identified by external auditors, independent advisor, regulatory authorities and management, and evaluates the adequacy and effectiveness of the Group's risk management and internal control systems. To further enhance control awareness, the Group has also approved launching a whistleblowing policy or employees to raise any concerns about possible improprieties in any matter related to the Group.

### Inside Information Policy

In relation to the internal control and procedures for the handling and dissemination of inside information, the Group is in compliance with the relevant parts of the SFO and Listing Rules.

The Company regulates the handling and dissemination of inside information to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made. The Company's legal advisor also assists the Board to assess whether the relevant information is considered to be inside information which needs to be disclosed as soon as reasonably practicable.

### Conflict of Interest

If a Director has a conflict of interest in relation to a transaction or proposal to be considered by the Board, the individual is required to declare such interest and to abstain from voting. The matter is considered at a Board meeting attended by Directors who have no material interest in the transaction.

The Group also adopted certain internal control policies to manage potential conflicts of interest.

## EXTERNAL AUDITORS' REMUNERATION

During the year, services provided to the Company by its external auditors and the respective fees paid were:

Services rendered	Fee paid/ payable HK\$'000
Audit services	720
Non-audit services	99
Total	819

## COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and enabling investors to understand of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable Shareholders and investors to make the best investment decisions.

To promote effective communication, the Company maintains a website at “www.XHNmedia.com” as a communication platform with Shareholders and investors, where extensive information and updates on the Group’s financial information, corporate governance practices and other information are available for public access such as annual reports, interim reports to Shareholders, announcements and corporate governance practices are available for review. Shareholders and investors may write directly to the Company at its principal place of business in Hong Kong for any inquiries. Inquiries are dealt with in an informative and timely manner.

Where announcements are made through the Stock Exchange, the same information will be made available on the Company’s website.

The Company continues to enhance communication and relationship with Shareholders and investors. Designated management of the Company maintains regular dialogue with institutional investors and analysts to keep them informed of the Group’s developments.

The Board welcomes views of Shareholders and encourages them to attend general meetings to raise any concerns they might have with the Board or the management of the Company directly. The Chairman of the Board as well as the chairman and/or other members of the Board committees and the external auditors will normally attend the AGM and other Shareholders’ meetings of the Company to answer questions raised. Meeting circulars are distributed to all Shareholders before the AGM and extraordinary general meetings (“EGM”) in accordance with the timeline requirement as laid down in the Listing Rules and the articles of association of the Company. All the resolutions proposed to be approved at the general meetings will be taken by poll and poll voting results will be published on the website of the Stock Exchange and of the Company after the meetings.

### DIVIDEND POLICY

The Company considers stable and sustainable returns to the Shareholders of the Company to be our goal and adopted the Dividend Policy on 10 January 2019. According to the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia:

- (a) The financial performance of the Group;
- (b) The Group’s actual and future operations and liquidity position;
- (c) The Group’s expected working capital requirements, capital expenditure requirements and future expansion plans;
- (d) The retained earnings and distributable reserves of the Company and each of the members of the Group;
- (e) The general economic conditions, business cycle of the Group’s business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
- (f) Any other factors that the Board deems appropriate.

Declaration of dividend by the Company is also subject to any restrictions under the laws of the Cayman Islands, the articles of association of the Company and any applicable laws, rules and regulations.

The Dividend Policy shall be reviewed from time to time. There can be no assurance that a dividend will be proposed or declared in any given period.



## Corporate Governance Report

### GENERAL MEETINGS WITH SHAREHOLDERS

The AGM of the Company provides a useful forum for Shareholders to exchange views with the Board. The Company's Directors (including independent non-executive Directors) are available at the AGM to answer questions from Shareholders about the business and performance of the Company. In addition, the Company's external auditors is also invited to attend the AGM to answer questions about the conduct of the audit, and the preparation and contents of the auditors report. Separate resolutions are proposed at general meetings for each substantial issue. An explanation of the detailed procedures of conducting poll was provided to Shareholders at the AGM, to ensure that Shareholders are familiar with such procedures.

### SHAREHOLDERS' RIGHTS

#### Convene a General Meeting

In accordance with the Company's Articles of Association, general meetings shall be convened on the written requisition of any two or more members of the Company deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. General meetings may also be convened on the written requisition of any one member of the Company which is a recognised clearing house (or its nominee) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitioner, provided that such requisitioner held as at the date of deposit of the requisitioner not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting, the requisitioner(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitioner(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

The notice period to be given to all the registered Shareholders for consideration of the proposal raised by the requisitioner(s) concerned at the EGM varies according to the nature of the proposal as set out in the Company's Articles of Association.

### Put Forward Proposals at Shareholders' Meetings

To put forward proposals at a general meeting of the Company, a shareholder should lodge a written request, duly signed by the shareholder concerned, setting out the proposals at the Company's principal office in Hong Kong for the attention of the Board and the Company Secretary of the Company. The request will be verified with the Company's branch share registrars in Hong Kong and upon their confirmation that the request is proper and in order, the Company Secretary of the Company will pass the request to the Board. Whether a proposal will be put to a general meeting will be decided by the Board in its discretion, unless the proposal put forward by a shareholder is (i) pursuant to a requisition by a shareholder to convene an general meeting referred to above or (ii) forms part of ordinary business to be considered at an annual general meeting as described in the Company's Articles of Association of the Company.

The procedures for Shareholders of the Company to propose a person for election as Director is available on the Company's website.

### Shareholders' enquiries

Specific enquiries or suggestions by Shareholders can be sent in writing to the Board or the Company Secretary at our principal office in Hong Kong. In addition, Shareholders can contact Tricor Tengis Limited, the share registrar of the Company, if they have any enquiries about their shareholdings and entitlement to attending of the general meeting or dividend. Relevant contact details are set out on page 3 of this annual report.

### COMPANY SECRETARY

The Company Secretary supports the Board by ensuring good information flow within the Board and that board policy and procedures are followed. The Company Secretary is also responsible for advising the Board of the Company on corporate governance and the implementation of the CG Code. The Company Secretary is an employee of the Company and has day-to-day knowledge of the Group's affairs.

The Company Secretary reports to the Board. All Directors also have access to the advice and services of the Company Secretary to ensure that board procedures, and all applicable laws, rules and regulations, are followed. The selection, appointment and dismissal of the Company Secretary is subject to the Board approval.

The Company Secretary has confirmed that he has taken no less than 15 hours of relevant professional training during the year.

### CONSTITUTIONAL DOCUMENTS

There was no change in the Company's constitutional documents during the year.

# REPORT OF THE DIRECTORS

The Board is pleased to present this Report of the Directors and the audited financial statements of the Group for the year ended 31 March 2020.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is organised into business units based on their products and services and has four 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 and selling, brand building, event marketing as well as developing and operating 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.

The Board remains dedicated to maximizing returns to Shareholders by actively pursuing new business opportunities, refining and expanding the current business scopes.

For more details regarding the Group's performance by reference to environmental and social-related policies, as well as compliance with relevant laws and regulations that have a significant impact on the Group's business and operation can be found in the section headed "Environmental, Social and Governance Report" set out on pages 11 to 23 of this annual report.

## RESULTS AND DIVIDENDS

The Group's results for the year ended 31 March 2020 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 56 to 115 of this report.

The Directors of the Company did not recommend the payment of any dividend for the year (2019: Nil).

## SUMMARY FINANCIAL INFORMATION

A summary of the results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out on page 116. This summary does not form part of the audited financial statements.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 16 to the financial statements.

### SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Details of movements in the Company's share capital, share options and warrants during the year are set out in Notes 31 and 32 to the financial statements.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to its existing Shareholders.

### PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2020.

### RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 33 to the financial statements and in the consolidated statement of changes in equity, respectively.

### DISTRIBUTABLE RESERVES

As at 31 March 2020, the Company had no reserves available for distribution. The Company's share premium account, in the amount of HK\$547,397,000, may be distributed in the form of fully paid bonus shares.

### MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 67% of the total sales for the year, and sales to the largest customer included therein amounted to approximately 27%.

Purchases from the Group's five largest suppliers accounted for approximately 55% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 18%.

None of the Directors or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

# Report of the Directors

## DIRECTORS

The Directors during the year and up to the date of this report were:

### Executive Directors:

Lo Kou Hong (*Chairman*)

Chan Chun Wo (removed on 27 April 2020)

David Wei Ji (resigned on 14 October 2019)

Huang Wen Kai (resigned on 17 January 2020)

Chen Ming (resigned on 31 October 2019)

Li Bing (resigned on 1 June 2019)

Lee Suen (redesignated from Independent non-executive Director to executive Director on 1 June 2019 and resigned on 18 December 2019)

Li Jingzhi (appointed on 17 January 2020 and resigned on 29 February 2020)

Tsui Kwok Hing (appointed on 12 February 2020)

Fu Jun (appointed on 7 April 2020)

Leung Cheung Hang (appointed on 21 April 2020)

### Non-executive Director:

Wong Kam Tai Kamsuo (appointed on 8 November 2019 and resigned on 29 February 2020)

### Independent Non-executive Directors:

Wang Qi

Tsang Chi Hon

Ho Hin Yip (resigned on 31 March 2020)

Wang Chunping (appointed on 1 June 2019 and resigned on 31 October 2019)

Wong Hon Kit (appointed on 12 February 2020)

According to Article 112 of the Articles of Association, Mr. Lo Kou Hong, an executive Directors of the Company, shall retire by rotation at the forthcoming AGM and in accordance with Article 95 of the Company's Articles of Association, Mr. Tsui Kwok Hing, Mr. Fu Jun and Mr. Leung Cheung Hang, the executive Directors of the Company and Mr. Wong Hon Kit, an independent non-executive Director of the Company, will retire at the forthcoming AGM. All the retiring Directors, being eligible, will offer themselves for re-election.

All other Directors will continue in office.

The biographical details of the Directors and senior management are set on pages 9 to 10 of this annual report. Details of the emoluments of the Directors and the five highest paid individuals are set out in Notes 12 and 13 to the consolidated financial statements, respectively.

## INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received a confirmation of independence from each independent non-executive Director, namely Mr. Wang Qi, Mr. Tsang Chi Hon and Mr. Wong Hon Kit, and considers them as being independent.

### DIRECTORS' SERVICE AGREEMENTS

The executive Directors have entered into services agreements with the Company for a term of three years and to continue thereafter until terminated by a three months' notice in writing served by either party on the other without payment of compensation.

The independent non-executive Directors were appointed by way of letter of appointment with the Company until terminated by one month's notice in writing served by either party on the other without payment of compensation.

Save as disclosed above, none of the Directors has any service contract with the Company or any of its subsidiaries which is not terminable by the Group within one year without payment of compensation, other than statutory compensation.

### DIRECTORS' REMUNERATION

Directors' remuneration is determined by the remuneration committee and the Board with reference to Directors' duties, responsibilities, performance and the results of the Group. Details of the remuneration of the Directors are set out in Note 12 to the financial statements.

### DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' emoluments and those of the five highest paid individuals of the Group for the year ended 31 March 2020 are set out in Notes 12 and 13 to the consolidated financial statement.

### INDEMNITY OF DIRECTORS

A permitted indemnity provision that provides for indemnity against liability incurred by Directors is currently in force and was in force throughout the year ended 31 March 2020.

### DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance, to which the Company, its holding companies, fellow subsidiaries or subsidiaries was a party and in which a director of the Company had a material interest subsisted during the year ended 31 March 2020.

### CONTRACT OF SIGNIFICANCE

There is no contract of significance between the Company and any of its subsidiaries, and a controlling shareholder or any of its subsidiaries.

### MANAGEMENT CONTRACT

Other than the service contracts of the Directors as stated above in the section headed "Directors' Service Agreements", the Company has not entered into any agreement with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company.

### COMPETING INTERESTS

As far as the Directors are aware, none of the Directors or their associates had any interest in a business that competes or may compete with the business of the Group.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Directors' Interests In The Shares And Underlying Shares Of The Company And Its Associated Corporations" and "Share Option Scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

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

As at 31 March 2020, 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 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. 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	3.20%
	Long	Interest of spouse	2,105,000 (Note 1)	0.13%
Mr. Chan Chun Wo	Long	Beneficial owner	5,000,000	0.30%
Mr. Wang Qi	Long	Beneficial owner	1,367,000	0.08%
Mr. Tsui Kwok Hing	Long	Beneficial owner	68,190,090	4.07%
	Long	Interest of spouse	79,681,040 (Note 2)	4.75%

Notes:

- (1) Mr. Lo Kou Hong was deemed to be interested in 2,105,000 shares of the Company through interest of his spouse, Ms. Ko Lok Ping, Maria Genoveffa, who personally and beneficially owned such 2,105,000 shares of the Company.
- (2) Mr. Tsui Kwok Hing was deemed to be interested in 79,681,040 shares of the Company through interest of his spouse, Ms. Budirahaju Lita, who personally and beneficially owned such 79,681,040 shares of the Company.

\* The percentage is calculated based on the total number of issued shares of the Company as at 31 March 2020, which was 1,675,869,796 ordinary shares.

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

(continued)

**B.(1) Associated corporation – 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 a controlled corporation	42 shares (Note)	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 31 March 2020.

**B.(2) Associated corporation – Shuyang ITAD, a subsidiary of the Company**

Name of director	Long/short position	Capacity	Amount of registered capital in Shuyang ITAD	Percentage* of Shuyang ITAD's issued share capital
Mr. Lo Kou Hong	Long	Interest held by a 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 corporation controlled by 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 31 March 2020.

In addition to the above, as at 31 March 2020, Mr. Lo Kou Hong held 1 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 31 March 2020, 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 31 March 2020.



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

As at 31 March 2020, the following persons (other than the Directors of the Company) had interests of 5% or more in the issued shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

### Interests in shares of the Company

Name of substantial shareholder	Long/short position	Capacity	Number of ordinary shares	Percentage* of the Company's issued share capital
Zheng Xiandeng	Long	Beneficial owner	214,681,040	12.81%
Symphony Investments Holdings Limited (Note 1)	Long	Beneficial owner	204,042,000	12.18%
WKI Partners Holdings Limited (Note 2)	Long	Beneficial owner	179,315,000	10.70%

Notes:

- (1) Symphony Investments Holdings Limited is wholly owned by Ms. Chen Ming, a former executive Director of the Company. 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 issued shares of the Company as at 31 March 2020, which was 1,675,869,796 ordinary shares.

### SHARE OPTION SCHEME

The share option scheme (the "Share Option Scheme") of the Company was approved and adopted by the Shareholders in the AGM 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 AGM of the Company held on 27 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.

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, advisor, legal consultant, legal advisor, 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.

## SHARE OPTION SCHEME (continued)

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

Movements of the share options during the period of the year ended 31 March 2020 are listed below in accordance with chapter 17 of Main Board Listing Rules:

Categories	During the period				As at 31 March 2020	Notes
	As at 1 April 2019	Granted	Lapsed	Exercised/ Cancelled		
<b>Directors</b>						
Mr. Chan Chun Wo	14,462,000	-	-	-	14,462,000	(1),(3)
Mr. Huang Wen Kai	8,677,000	-	(8,677,000)	-	-	
Ms. Chen Ming	1,446,000	-	-	-	1,446,000	(1),(4)
Mr. Li Bing	8,677,000	-	(8,677,000)	-	-	
Ms. Lee Suen	1,446,000	-	(1,446,000)	-	-	
Sub-total	34,708,000	-	(18,800,000)	-	15,908,000	
<b>Continuous Contracts</b>						
<b>Employees</b>	23,232,604	-	(5,959,302)	-	17,273,302	(2),(5)
<b>Sub-total</b>	23,232,604	-	(5,959,302)	-	17,273,302	
<b>Total</b>	57,940,604	-	(24,759,302)	-	33,181,302	

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.
- (3) Mr. Chan Chun Wo was removed on 27 April 2020 and his shares options lapsed on 27 May 2020.
- (4) Ms. Chen Ming 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, offer her 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.
- (5) 4,000,000 share options were lapsed on 14 May 2020.

As at the date of this report, 14,719,302 share options were outstanding under the Share Option Scheme, which were fully vested and exercisable.

### RELATED PARTY TRANSACTIONS

A summary of related party transactions made during the year was disclosed on Note 34 to the financial statements. These related party transactions were connected transactions. The Company has complied with the disclosure requirements with Chapter 14A of the Listing Rules during the year.

### SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report and based on publicly available information and the best knowledge of the Directors, the Company has sufficient public float as required under Rule 8.08 of the Listing Rules.

### AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the Listing Rules. As at the date of Report of the Directors, the audit committee of the Company comprised three independent non-executive Directors of the Company, namely, Mr. Tsang Chi Hon (the chairman of the audit committee), Mr. Wang Qi and Mr. Wong Hon Kit. The audit committee has reviewed together with the management of the Company the accounting principles, accounting standards and methods adopted by the Company, discussed the matters concerning internal control, risk management, auditing and financial reporting matters and has reviewed the consolidated financial statements of the Group for the year ended 31 March 2020.

### COMPLIANCE WITH LAWS AND REGULATIONS

During the Year, there was no material breach of or noncompliance with the applicable laws and regulations by the Group.

### CORPORATE GOVERNANCE

Details of the corporate governance practices of the Company are set out in the section headed "Corporate Governance Report" on pages 24 to 41.

### EVENT AFTER THE REPORTING PERIOD

- (1) The Company entered into an agreement (the "Agreement") in acquiring the script of five dramas and a movie (the "Dramas") on 20 March 2019. However, in view of the continuing imposition of policies by the National Radio and Television Administration in relation to restrictions on the shooting, broadcasting and distribution of ancient costume dramas, of which the Dramas are being categorized as, the vendors have commenced negotiation with the Company on how to proceed with the fulfillment of the contractual obligations of the parties as the restrictions on ancient costume dramas have become more stringent since mid-2019 to such extent that it is uncertain when will the Dramas be allowed to be shoot, broadcasted or distributed. On 19 June 2020, the Company and the vendors reached certain mutual understandings on settlement of the outstanding contractual obligations under the Agreement and entered into a settlement agreement (the "Settlement Agreement"). After completion of the obligations under the Settlement Agreement, the Agreement shall be terminated.
- (2) On 30 June 2020, the Company disposed of the entire issued share capital of Sichuan Chuang Fu Hai Cultural Limited\*, an indirect wholly owned subsidiary at a consideration of RMB5,000,000, it holds the shops situated at Building No. 11 (Phase 2), Rong Hao, Feicui Project, Land Plot No. 2, Luzhou, Sichuan Province, the PRC. The disposal is scheduled to be completed in September 2020.

### USE OF THE PLACING PROCEEDS

All proceeds were utilized in the same intentions as stipulated in the general mandate as at 31 March 2020. The Company has not conducted any fund raising activities in the past 12 months immediately preceding the date of this report.

\* English translations of official Chinese name are for identification purpose only

## Report of the Directors

### 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 HK\$16,362,000 (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 31 March 2020 and 2019. Up to the date of this report, the claim against the Group for legal costs with interest is approximately HK\$1,224,000 (which decision is still pending).

### ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming AGM of the Company will be held at 9/F., Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong at 11:00 a.m., on Friday, 25 September 2020.

The Register of Members of the Company will be closed from 22 September 2020 to 25 September 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 21 September 2020.

### AUDITORS

On 27 September 2017, the resolution in respect of the re-appointment of HLB Hodgson Impey Cheng Limited ("HLB") was not passed by the Shareholders of the Company at the AGM, HLB retired as auditors of the Company with immediate effect from the conclusion of the said AGM.

On 9 March 2018, the Company appointed Elite Partners CPA Limited ("Elite Partners") as the auditors of the Company to fill vacancy occasioned by the retirement of HLB.

On 11 January 2019, Elite Partners resigned and ZHONGHUI ANDA CPA Limited was appointed as auditors of the Company to fill the casual vacancy caused by resignation of Elite Partners. Save as disclosed above, there was no other changes in the Company's auditors in the past three years.

The consolidated financial statements of the Group for the year ended 31 March 2020 were audited by ZHONGHUI ANDA CPA Limited who will retire at the forthcoming AGM and being eligible, offer themselves for reappointment.

### CHANGE OF HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

With effect from 20 February 2020, the address of the head office and principal place of business in Hong Kong of the Company has been changed to Unit 407, Fu Hang Industrial Building, 1 Hok Yuen Street East, Hunghom, Kowloon, Hong Kong. The telephone number, facsimile number and website of the Company remain unchanged.

ON BEHALF OF THE BOARD

**Lo Kou Hong**

*Chairman*

Hong Kong

13 July 2020

# INDEPENDENT AUDITORS' REPORT



Unit 701, 7/F,  
Citicorp Centre,  
18 Whitfield Road,  
Causeway Bay, Hong Kong

## TO THE SHAREHOLDERS OF XINHUA NEWS MEDIA HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

### OPINION

We have audited the consolidated financial statements of Xinhua News Media Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 56 to 115, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Independent Auditors' Report

### TRADE RECEIVABLES

Refer to Note 21 to the consolidated financial statements.

The Group tested the amount of trade receivables for impairment. This impairment test is significant to our audit because the balance of trade receivables of HK\$53,013,000 as at 31 March 2020 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgment and is based on estimates.

Our audit procedures included, among others:

- Assessing the Group's procedures on granting credit limits and credit periods to customers;
- Assessing the Group's relationship and transaction history with the customers;
- Evaluating the Group's impairment assessment;
- Assessing ageing of the debts;
- Assessing creditworthiness of the customers;
- Checking subsequent settlements from the customers; and
- Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements.

We consider that the Group's impairment test for trade receivables is supported by the available evidence.

### NON-CURRENT ASSETS HELD FOR SALE

Refer to Note 24 to the consolidated financial statements.

The Group tested the amount of non-current assets held for sale for impairment. This impairment tests are significant to our audit because the balances of intangible assets and investment property included in non-current assets held for sale of HK\$5,400,000 and HK\$15,884,000 as at 31 March 2020 respectively and impairment losses of approximately HK\$20,906,000 and HK\$13,919,000 for the year ended 31 March 2020 respectively are material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

- Obtaining sales and purchase agreement and settlement agreement;
- Assessing the identification of the related assets and liabilities;
- Assessing the arithmetical accuracy of the fair value less costs to disposal; and
- Comparing the carrying amount and fair value less costs to sell;

We consider that the Group's impairment test for non-current assets held for sale is supported by the available evidence.

### OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at: <http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/>. This description forms part of our auditor's report.

#### **ZHONGHUI ANDA CPA Limited**

*Certified Public Accountants*

#### **Fong Tak Ching**

*Audit Engagement Director*

Practising Certificate Number P06353

Hong Kong, 13 July 2020



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Revenue	7	348,648	404,279
Other income and gains	8	1,177	701
Other losses	9	(21,377)	–
Staff costs	10	(256,640)	(270,043)
Depreciation and amortisation		(11,100)	(4,750)
Impairment loss recognised on the trade receivables		(3,132)	–
Impairment loss recognised on other receivables		(691)	–
Other operating expenses		(102,119)	(147,598)
Fair value (loss)/gain on investment properties	18	(1,969)	10,270
Finance costs	11	(358)	(31)
Loss before tax	10	(47,561)	(7,172)
Income tax credits/(expenses)	14	1,387	(9,054)
<b>Loss for the year</b>		<b>(46,174)</b>	(16,226)
<b>Other comprehensive loss, net of tax</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations:			
Exchange differences arising during the year		(2,107)	(617)
Exchange differences reclassified to profit or loss on disposal of a subsidiary		(2,423)	–
<b>Total comprehensive loss for the year</b>		<b>(50,704)</b>	(16,843)
<b>(Loss)/profit for the year attributable to:</b>			
Owners of the Company		(47,199)	(15,582)
Non-controlling interests		1,025	(644)
		<b>(46,174)</b>	(16,226)
<b>Total comprehensive (loss)/income for the year attributable to:</b>			
Owners of the Company		(51,460)	(15,690)
Non-controlling interests		756	(1,153)
		<b>(50,704)</b>	(16,843)
<b>Loss per share attributable to owners of the Company</b>			
Basic and diluted	15	HK\$(0.0282)	HK\$(0.0100)

The accompanying notes form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	16	12,571	16,924
Intangible assets	17	–	33,508
Investment properties	18	6,169	31,521
Right-of-use assets	19	2,440	–
Deferred tax assets	30	480	–
<b>Total non-current assets</b>		<b>21,660</b>	81,953
<b>Current assets</b>			
Inventories	20	277	361
Trade receivables	21	53,013	77,253
Prepayments, deposits and other receivables	22	12,790	10,690
Pledged time deposits	23	2,066	2,056
Cash and cash equivalents	23	52,294	70,759
Current tax assets		505	–
		<b>120,945</b>	161,119
Non-current assets classified as held for sale	24	21,475	–
<b>Total current assets</b>		<b>142,420</b>	161,119
<b>Current liabilities</b>			
Trade payables	25	9,654	21,558
Other payables and accrued liabilities	26	39,398	43,304
Amount due to a related company	34(b)	1,055	–
Lease liabilities	27	1,742	–
Finance lease payables		–	268
Other financial liability	28	–	12,973
Loans from a director	34(b)	5,834	1,167
Tax payables		–	4,994
		<b>57,683</b>	84,264
Liabilities associated with assets classified as held for sale	24	10,625	–
<b>Total current liabilities</b>		<b>68,308</b>	84,264
<b>Net current assets</b>		<b>74,112</b>	76,855
<b>Total assets less current liabilities</b>		<b>95,772</b>	158,808

## Consolidated Statement of Financial Position

At 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
<b>Non-current liabilities</b>			
Finance lease payables		–	294
Lease liabilities	27	<b>736</b>	–
Deferred income	29	–	3,633
Deferred tax liabilities	30	–	2,565
Loans from a director	34(b)	–	5,081
<b>Total non-current liabilities</b>		<b>736</b>	11,573
<b>Net assets</b>		<b>95,036</b>	147,235
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	31	<b>16,759</b>	16,759
Reserves	33	<b>77,449</b>	127,998
		<b>94,208</b>	144,757
<b>Non-controlling interests</b>		<b>828</b>	2,478
<b>Total equity</b>		<b>95,036</b>	147,235

Approved by the Board on 13 July 2020 and signed on its behalf by:

**Lo Kou Hong**  
Chairman

**Tsui Kwok Hing**  
Executive Director

The accompanying notes form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	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 (Note 31)	HK\$'000 (note i)	HK\$'000 (note i)	HK\$'000 (Note 33) (note i)	HK\$'000 (Note i)	HK\$'000 (Note 33) (note i)	HK\$'000 (note i)	HK\$'000 (note i)	HK\$'000	HK\$'000	HK\$'000
At 1 April 2018	14,463	492,161	254	47,063	154	26,758	(498,853)	12,135	94,135	3,631	97,766
Loss for the year	-	-	-	-	-	-	(15,582)	-	(15,582)	(644)	(16,226)
Other comprehensive loss for the year	-	-	-	-	-	-	-	(108)	(108)	(509)	(617)
Total comprehensive loss for the year	-	-	-	-	-	-	(15,582)	(108)	(15,690)	(1,153)	(16,843)
Issued of ordinary shares	2,296	55,236	-	-	-	-	-	-	57,532	-	57,532
Equity-settled share option expense	-	-	-	-	8,780	-	-	-	8,780	-	8,780
Lapsed of share options	-	-	-	-	(154)	-	154	-	-	-	-
At 31 March 2019 and 1 April 2019	16,759	547,397	254	47,063	8,780	26,758	(514,281)	12,027	144,757	2,478	147,235
(Loss)/profit for the year	-	-	-	-	-	-	(47,199)	-	(47,199)	1,025	(46,174)
Other comprehensive loss for the year	-	-	-	-	-	-	-	(4,261)	(4,261)	269	(4,530)
Total comprehensive (loss)/income for the year	-	-	-	-	-	-	(47,199)	(4,261)	(51,460)	756	(50,704)
Deconsolidated of a subsidiary	-	-	-	-	-	(167)	167	-	-	2,406	2,406
Equity-settled share option expense	-	-	-	-	911	-	-	-	911	-	911
Lapsed of share options	-	-	-	-	(4,210)	-	4,210	-	-	-	-
<b>At 31 March 2020</b>	<b>16,759</b>	<b>547,397</b>	<b>254</b>	<b>47,063</b>	<b>5,481</b>	<b>26,591</b>	<b>(557,103)</b>	<b>7,766</b>	<b>94,208</b>	<b>828</b>	<b>95,036</b>

Note:

- (i) These reserve accounts comprise the consolidated reserves of approximately HK\$77,449,000 (2019: HK\$127,998,000) in the consolidated statement of financial position.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
<b>Cash flows from operating activities</b>			
Loss before tax		(47,561)	(7,172)
Adjustments for:			
Amortisation of intangible assets	17	820	933
Amortisation of deferred income	29	(274)	(243)
Depreciation on property, plant and equipment	10	3,115	3,817
Depreciation on right-of-use assets	10	7,165	–
Impairment on intangible assets	9	20,906	–
Impairment on investment properties	9	13,919	–
Fair value change on other financial liability	9	(12,973)	–
Gain on disposal of a subsidiary	9	(475)	–
Gain on lease termination		(52)	–
Equity-settled share option expense		911	8,780
Finance costs	11	358	31
Interest income	8	(264)	(194)
Impairment loss recognised on trade receivables	21	3,132	–
Impairment loss recognised on other receivables		691	–
Written off of property, plant and equipment	10	139	44
Net gain on disposals of property, plant and equipment	10	(30)	(1)
Gain on dissolution of an associate		–	(1)
Fair value loss/(gain) on investment properties	18	1,969	(10,270)
Operating loss before working capital changes		(8,504)	(4,276)
Decrease/(increase) in trade receivables		10,490	(40,400)
Decrease in prepayments, deposits and other receivables		3,428	17,060
Decrease/(increase) in inventories		84	(29)
(Decrease)/increase in trade payables		(958)	9,992
(Decrease)/increase in other payables and accrued liabilities		(1,172)	3,535
Cash generated from/(used in) operations		3,368	(14,118)
Net income tax paid		(6,070)	(1,460)
Net cash flows used in operating activities		(2,702)	(15,578)
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(1,118)	(1,892)
Proceeds from disposals of property, plant and equipment		30	15
Net cash outflow on disposal of a subsidiary		(4,308)	–
Interest received		264	194
Increase in pledged time deposits		(10)	(10)
Net cash flows used in investing activities		(5,142)	(1,693)

## Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
<b>Cash flows from financing activities</b>			
Capital element of finance lease payables		-	(466)
Repayment of lease liabilities		(7,995)	-
Interest element of finance lease payables		-	(31)
Proceeds from placing of new shares		-	44,198
Net cash flows (used in)/generated from financing activities		(7,995)	43,701
<b>Net (decrease)/increase in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the year		70,759	44,313
Effect of exchange rate changes on the balance of cash held in foreign currencies		(2,626)	16
Cash and cash equivalents at the end of the year	23	52,294	70,759
<b>Analysis of balances of cash and cash equivalents</b>			
Cash and cash equivalents		30,207	48,162
Non-pledged time deposits with original maturity of less than three months when acquired		22,087	22,597
Cash and cash equivalents as stated in the consolidated statement of cash flows	23	52,294	70,759

The accompanying notes form an integral part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 1. CORPORATE INFORMATION

Xinhua News Media Holdings Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is P.O. Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands. The principal place of business of the Company is located at Unit 407, Fu Hang Industrial Building, 1 Hok Yuen Street East, Hungghom, Kowloon, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as 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 and the provision of advertising media service.

The 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 consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which also include Hong Kong Accounting Standards (“HKASs”) and interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong, the applicable disclosure required by the Hong Kong Company Ordinance and the applicable disclosure provisions of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Main Board Listing Rules”).

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustments in the next year are discussed in Note 5 to the consolidated financial statements.

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

In the current year, 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 consolidated financial statements and amounts reported for the current year and prior years except as stated below.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

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

#### 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 consolidated financial statement as follows:

	1 April 2019 HK\$'000
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At 1 April 2019:

Increase in right-of-use assets	9,631
Increase in lease liabilities	(9,631)

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
Less:	
Commitment relating to leases with a remaining lease term ending on or before 31 March 2020	(2,264)
Discounting of 4.75%	(279)
<hr/> Lease liabilities as at 1 April 2019	<hr/> 9,631

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of buildings, investment properties, biological assets, investments and non-current assets classified as held for sale which are carried at their fair values.

The significant accounting policies applied in the preparation of these financial statements are set out below.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

### Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Related parties

- (a) A person or a close member of that person's family, is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
  - (i) the entity and the entities comprising the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) the entity and the Group are joint ventures of the same third party.
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - (vi) the entity is controlled or jointly controlled by a person identified in (a).
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

A transaction is considered to be a related party transaction when there is a transfer of resources and obligations between related parties.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Gain or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful life at the following rates per annum:

Buildings	5%
Leasehold improvements	Over the lease terms
Furniture and equipment	14.3% – 77%
Motor vehicles	14.3% – 25%
Tools and machinery	20% – 33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

### Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation including properties under construction for such purposes. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Intangible assets

#### Medical waste treatment

The Group recognises an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. The intangible asset received as consideration for providing construction services in a service concession arrangement is measured at fair value upon initial recognition, estimated by reference to the fair value of the construction services provided.

Medical waste treatment is stated at cost less any impairment losses and amortised on the straight-line basis over its estimated useful life of twenty years. The estimated useful life of the intangible asset is the period when it is available for use to the end of the concession period.

#### Drama scripts

Drama scripts is stated at cost less any impairment losses and amortised over the shorter of the underlying license period and their useful life with reference to projected revenue.

#### Free right

Free right is stated at cost less any impairment losses and amortised on the straight-line basis over its estimated useful life of ten years.

### 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%
Machinery	20%

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.

#### The Group as lessor

##### Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except investment properties, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified under financial assets at amortised cost.

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

### Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

### Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

### Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

### Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

### Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

### Provisions and contingent liabilities

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefit is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Income tax (continued)

#### Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

### Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Repayment of a grant related to income is applied first against any unamortised deferred income set up in respect of the grant. To the extent that the repayment exceeds any such deferred income, or where no deferred income exists, the repayment is recognised immediately in profit or loss. Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income by the amount repayable. The cumulative additional depreciation that would have been recognised in profit or loss to date in the absence of the grant is recognised immediately in profit or loss.

### Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the assets or disposal group are available for immediate sale in their present condition. The Group must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets or disposal group classified as held for sale are measured at the lower of the assets' or disposal group's previous carrying amount and fair value less costs to sell.

### Revenue recognition

#### Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue recognition (continued)

#### Other income

Interest income is recognised on a time-proportion basis using the effective interest method.

### Share-based payments transactions

The Group issues equity-settled share-based payments to eligible participants who contribute to the success of the Group's operations. Equity-settled share-based payments are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

### Employee benefits

#### Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

#### Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

#### Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Foreign currencies

These consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. At the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period, and their statement of comprehensive incomes are translated into Hong Kong dollars at the weighted average exchange rates for the year. Exchange differences arising are recognised in the exchange reserve.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the exchange reserve.

### Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker ("CODM") for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical location.

### Dividends

Final dividends proposed by the Directors are classified as a separate allocation of retained earnings within the equity section of the consolidated statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

### Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

## 5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

### Critical judgements in applying accounting policies

In the process of applying the accounting policies, the Directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

#### Deferred tax for investment property

For the purposes of measuring deferred tax for investment property that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment property are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Therefore, in determining the Group's deferred tax for investment property, the directors have rebutted the presumption that investment property measured using the fair value model are recovered through sale.

#### Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### (a) Impairment of trade and other receivables

The Group makes impairment for trade and other receivables based on assessments of the recoverability of the receivables, including the current creditworthiness and the past collection history of each debtor. Impairment arises where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

#### (b) Fair value of investment property

The Group appointed an independent professional valuer to assess the fair values of the investment properties. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

#### (c) Impairment of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds their recoverable amount. The recoverable amount is determined with reference to the present value of estimated future cash flows. Where the future cash flows are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of future estimate cash flows, a material impairment loss may arise.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

### Key sources of estimation uncertainty (continued)

#### (d) Property, plant and equipment/intangible assets and depreciation/amortisation

The Group determines the estimated useful lives, residual values and related depreciation and amortisation charges for the Group's property, plant and equipment and intangible assets. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment and intangible assets of similar nature and functions. The Group will revise the depreciation and amortisation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

#### (e) Fair value of other financial liability

The fair value of other financial liability that is not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on relevant conditions existing at the end of each reporting period.

#### (f) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

## 6. 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 and selling, brand building, event marketing as well as developing and operating advertising media;
- (c) the medical waste treatment business segment engages in the provision of non-incineration medical waste handling services for hospitals; and
- (d) the waste treatment business segment engages in the provision of organic waste treatment and sale of the by-products produced.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment result, which is a measure of adjusted loss before tax. The adjusted loss before tax are measured consistently with the Group's loss before tax except that interest income, share of results of an associate, share option expenses, impairment loss recognised in profit or loss in respect of other receivables, finance costs and unallocated head office and corporate expenses are excluded from such measurement.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

### 6. OPERATING SEGMENT INFORMATION (continued)

Segment liabilities exclude loans from a director and finance lease payables as these liabilities are managed on a group basis.

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

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

	Cleaning and related services		Advertising media business		Medical waste treatment		Waste treatment		Total	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
<b>Segment revenue:</b>										
Service income from external customers	326,021	334,242	4,933	53,067	17,539	16,917	155	53	348,648	404,279
Other income and gains	259	85	246	4	404	418	4	-	913	507
<b>Total</b>	<b>326,280</b>	<b>334,327</b>	<b>5,179</b>	<b>53,071</b>	<b>17,943</b>	<b>17,335</b>	<b>159</b>	<b>53</b>	<b>349,561</b>	<b>404,786</b>
<b>Segment results</b>	<b>7,323</b>	<b>14,610</b>	<b>(32,204)</b>	<b>24,121</b>	<b>5,755</b>	<b>3,575</b>	<b>(1,814)</b>	<b>(1,731)</b>	<b>(20,940)</b>	<b>40,575</b>
Reconciliation:										
Interest income									264	194
Equity-settled share option expense									(911)	(8,780)
Unallocated expenses									(25,616)	(39,130)
Finance costs									(358)	(31)
Loss before tax									(47,561)	(7,172)
Income tax expenses									1,387	(9,054)
Loss for the year									(46,174)	(16,226)
<b>The following is an analysis of the Group's assets and liabilities by reportable segments:</b>										
<b>Segment assets</b>	<b>114,648</b>	<b>105,736</b>	<b>40,631</b>	<b>108,397</b>	<b>-</b>	<b>16,310</b>	<b>8,801</b>	<b>12,629</b>	<b>164,080</b>	<b>243,072</b>
<b>Total assets</b>									<b>164,080</b>	<b>243,072</b>
<b>Segment liabilities</b>	<b>36,247</b>	<b>35,155</b>	<b>21,124</b>	<b>43,047</b>	<b>-</b>	<b>5,438</b>	<b>5,839</b>	<b>5,387</b>	<b>63,210</b>	<b>89,027</b>
Reconciliation:										
Finance lease payables									-	562
Loans from a director									5,834	6,248
<b>Total liabilities</b>									<b>69,044</b>	<b>95,837</b>
<b>Other segment information:</b>										
Capital expenditure (Note)	1,016	384	67	27,788	23	23	12	3	1,118	28,198
Depreciation and amortisation	1,084	1,502	636	832	1,143	1,299	1,072	1,117	3,935	4,750

Note:

Capital expenditure consists of additions of property, plant and equipment and intangible assets.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 6. OPERATING SEGMENT INFORMATION (continued)

### Geographical information

#### (a) Revenue from external customers

	2020 HK\$'000	2019 HK\$'000
Hong Kong	326,021	334,242
The People's Republic of China (the "PRC")	22,627	70,037
	<b>348,648</b>	404,279

#### (b) Non-current assets

	2020 HK\$'000	2019 HK\$'000
Hong Kong	5,020	29,352
The PRC	16,610	52,558
Macau	30	43
	<b>21,660</b>	81,953

The revenue and non-current assets information above are based on the location of the customers and that of the assets, respectively.

### Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2020 HK\$'000	2019 HK\$'000
Customer A	94,659	95,085
Customer B	67,216	68,396
Customer C	N/A	53,067

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

### 7. REVENUE

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

	2020 HK\$'000	2019 HK\$'000
Cleaning and related service fee income	326,021	334,242
Advertising media related service fee income	4,933	53,067
Medical waste treatment income	17,539	16,917
Waste treatment income	155	53
	<b>348,648</b>	404,279

During the year, HK\$3,451,000 (2019: HK\$34,768,000) of variable consideration from advertising media business is recognised when it is highly probable that a significant revenue reversal will not occur.

#### Disaggregation of revenue from contracts with customers:

##### 2020

Segments	Cleaning and related services HK\$'000	Advertising media business HK\$'000	Medical waste treatment HK\$'000	Waste treatment HK\$'000	Total HK\$'000
<b>Geographical markets</b>					
Hong Kong	326,021	-	-	-	326,021
PRC	-	4,933	17,539	155	22,627
Total	326,021	4,933	17,539	155	348,648
<b>Timing of revenue recognition</b>					
At a point in time	-	3,992	-	-	3,992
Over time	326,021	941	17,539	155	344,656
Total	326,021	4,933	17,539	155	348,648



## Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

### 7. REVENUE (continued)

#### Disaggregation of revenue from contracts with customers: (continued)

##### 2019

Segments	Cleaning and related services HK\$'000	Advertising media business HK\$'000	Medical waste treatment HK\$'000	Waste treatment HK\$'000	Total HK\$'000
<b>Geographical markets</b>					
Hong Kong	334,242	-	-	-	334,242
PRC	-	53,067	16,917	53	70,037
Total	334,242	53,067	16,917	53	404,279
<b>Timing of revenue recognition</b>					
At a point in time	-	50,449	-	-	50,449
Over time	334,242	2,618	16,917	53	353,830
Total	334,242	53,067	16,917	53	404,279

### 8. OTHER INCOME AND GAINS

	Notes	2020 HK\$'000	2019 HK\$'000
Interest income		264	194
Amortisation of deferred income*	29	274	243
Management fee received		60	60
Sundry income		579	204
		<b>1,177</b>	701

\* 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 Consolidated Financial Statements

For the year ended 31 March 2020

### 9. OTHER LOSSES

	Notes	2020 HK\$'000	2019 HK\$'000
Impairment on intangible assets	17	20,906	-
Impairment on investment properties	18	13,919	-
Fair value change on other financial liability	28	(12,973)	-
Gain on disposal of a subsidiary		(475)	-
		<b>21,377</b>	-

### 10. LOSS BEFORE TAX

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

	Notes	2020 HK\$'000	2019 HK\$'000
Employee benefit expenses (including directors' remuneration)			
Wages, salaries and other benefits	12	242,378	248,391
Retirement benefit scheme contributions		9,488	9,782
Equity-settled share option expenses		911	8,780
Provision for long service payments		2,294	947
Provision for untaken paid leave		1,569	2,143
Total employee benefit expenses		<b>256,640</b>	270,043
Cost of services rendered*		<b>303,372</b>	336,126
Auditors' remuneration			
- Audit service		720	700
- Non-audit service		99	220
Depreciation on property, plant and equipment		3,115	3,817
Depreciation on right-of-use assets		7,165	-
Gain on dissolution of an associate		-	(1)
Net gain on disposals of property, plant and equipment		(30)	(1)
Written-off of property, plant and equipment		139	44
Amortisation of intangible assets	17	820	933
Impairment loss recognised on trade receivables		3,132	-
Impairment loss recognised on other receivables		691	-
Fair value loss/(gain) on an investment properties	18	1,969	(10,270)

\* The cost of services rendered included an employee benefit expenses of approximately HK\$225,831,000 (2019: HK\$227,824,000) incurred in the provision of services which has been included in the employee benefit expenses above.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 11. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Lease interest	358	–
Interest on finance leases	–	31
	<b>358</b>	<b>31</b>

## 12. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Listing Rules and the Hong Kong Companies Ordinance is as follows:

Name of Directors	Fees		Salaries and allowances		Equity-settled share option expenses		Retirement benefit scheme contributions		Total	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
<b>Executive Directors</b>										
Mr. Lo Kou Hong ( <i>Co-chairman</i> )	–	–	1,692	1,635	–	–	106	98	1,798	1,733
Mr. Tsui Kwok Hing (appointed on 12 February 2020 and resigned on 31 May 2020 as the CEO)	131	–	–	–	–	–	–	–	131	–
Mr. Chan Chun Wo (appointed on 12 February 2018 and removed on 27 April 2020)	240	240	1,854	1,964	–	2,519	–	–	2,094	4,723
Mr. David Wei Ji (resigned on 14 October 2019)	120	240	927	1,964	–	–	–	18	1,047	2,222
Mr. Huang Wen Kai (appointed on 12 February 2018 and resigned on 17 January 2020)	200	240	–	–	–	1,512	–	–	200	1,752
Ms. Chen Ming (appointed on 12 February 2018 and resigned on 31 October 2019)	140	240	540	570	–	252	–	–	680	1,062
Mr. Li Bing (appointed on 12 February 2018 and resigned on 1 June 2019)	–	240	–	–	–	1,512	–	–	–	1,752
Ms. Lee Suen (appointed on 1 June 2019 and resigned on 18 December 2019)	120	–	480	–	–	–	–	–	600	–
<b>Non-executive director</b>										
Mr. Wong Kam Tai Kamsuo (appointed on 8 November 2019 and resigned on 29 February 2020)	77	–	–	–	–	–	–	–	77	–
<b>Independent Non-executive Directors</b>										
Mr. Wang Qi	240	240	–	–	–	–	–	–	240	240
Mr. Tsang Chi Hon	480	480	–	–	–	–	–	–	480	480
Mr. Ho Hin Yip (resigned on 31 March 2020)	480	480	–	–	–	–	–	–	480	480
Mr. Wong Hon Kit (appointed on 12 February 2020)	31	–	–	–	–	–	–	–	31	–
Ms. Lee Suen (appointed on 12 February 2018 and redesignated to executive director on 1 June 2019 and resigned on 18 December 2019)	40	240	–	–	–	252	–	–	40	492
Mr. Li Jingzhi (appointed on 17 January 2020 and resigned on 29 February 2020)	10	–	–	–	–	–	–	–	10	–
Mr. Wang Chunping (appointed on 1 June 2019 and resigned on 31 October 2019)	100	–	–	–	–	–	–	–	100	–
	<b>2,409</b>	<b>2,640</b>	<b>5,493</b>	<b>6,133</b>	<b>–</b>	<b>6,047</b>	<b>106</b>	<b>116</b>	<b>8,008</b>	<b>14,936</b>

No emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group, or as a compensation for loss of office during the year (2019: Nil). No directors waived or agreed to waive any remuneration during the year (2019: Nil).

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

### 13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included 1 director and 1 former director (2019: 4 directors) respectively, details of whose remuneration are set out in Note 12 above. Details of the remuneration of the remaining 3 (2019: 1) non-Directors highest paid employee for the year are as follows:

	2020 HK\$'000	2019 HK\$'000
Salaries and allowances	5,116	1,978
Retirement benefit scheme contributions	320	168
Equity-settled share option expenses	35	141
	<b>5,471</b>	<b>2,287</b>

The number of the non-Director highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2020	2019
HK\$1,000,001 to HK\$1,500,000	1	–
HK\$1,500,001 to HK\$2,000,000	1	–
HK\$2,000,001 to HK\$2,500,000	1	1
	<b>3</b>	<b>1</b>

No emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group, or as a compensation for loss of office during the year (2019: Nil). No five highest paid individuals waived or agreed to waive any remuneration during the year (2019: Nil).

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

### 14. INCOME TAX (CREDITS)/EXPENSES

	2020 HK\$'000	2019 HK\$'000
Current tax charge for the year		
Hong Kong	430	1,230
The PRC	1,418	5,256
Over provision in prior years	(223)	–
	<b>1,625</b>	6,486
Deferred tax (note 30)	<b>(3,012)</b>	2,568
Income tax (credits)/expenses	<b>(1,387)</b>	9,054

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 year. No provision for Macau Complementary Tax is required as the Company's subsidiary in Macau incurred tax losses for the year.

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% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

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 ), a subsidiary, which was disposed of during the year ended 31 March 2020, is subject to the tax rate of 15% for being encourage industries at specified area. Other subsidiaries located in the PRC are subject to the PRC Enterprise Income Tax at a rate of 25% (2019: 25%) on their assessable profits.

	Macau		Hong Kong		PRC		Total	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
(Loss)/profit before tax	(792)	(2,439)	(31,587)	(36,415)	(15,182)	31,682	(47,561)	(7,172)
Tax at the applicable tax rate	(95)	(293)	(5,212)	(6,008)	(3,796)	7,922	(9,103)	1,621
Lower tax rate for specific province or enacted by local authority	–	–	(165)	–	(494)	(366)	(659)	(366)
Income not subject to tax	–	–	(2,846)	(276)	(69)	(86)	(2,915)	(362)
Expenses not deductible for tax	2	44	1,989	1,955	2,322	(166)	4,313	1,833
(Over)/under-provision in previous years	–	–	(146)	(113)	(77)	95	(223)	(18)
Tax losses not recognised	93	249	6,684	5,702	443	425	7,220	6,376
One-off tax reduction	–	–	(20)	(30)	–	–	(20)	(30)
Income tax (credits)/expenses	–	–	284	1,230	(1,671)	7,824	(1,387)	9,054

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

### 14. INCOME TAX (CREDITS)/EXPENSES (continued)

The Group has tax losses arising in Hong Kong of approximately HK\$126,565,000 (2019: HK\$138,893,000) which are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses because in the opinion of the Directors, it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

The Group has tax losses arising in PRC of approximately HK\$2,421,000 (2019: HK\$1,975,000), that are available for five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses because it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

### 15. LOSS PER SHARE

#### Basic and diluted loss per share

The calculation of the basic and diluted loss per share amounts is based on the loss for the year attributable to owners of the Company of approximately HK\$47,199,000, (2019: HK\$15,582,000), and the weighted average number of ordinary shares of 1,675,869,796 (2019: 1,559,621,063) in issue during the year.

The diluted loss per share is the same as the basic loss per share for the year ended 31 March 2020 and 2019 because the Company's share options outstanding during these years were anti-dilutive.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

### 16. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Leasehold improvements HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Tools and machinery HK\$'000	Total HK\$'000
<b>Cost</b>						
At 1 April 2018	54,183	7,197	5,862	7,580	12,909	87,731
Additions	-	28	244	1,321	299	1,892
Disposals	-	-	(7)	(1,090)	(23)	(1,120)
Written off	-	-	(45)	-	(129)	(174)
Exchange realignment	(3,557)	-	(54)	(256)	(265)	(4,132)
At 31 March 2019 and 1 April 2019	50,626	7,225	6,000	7,555	12,791	84,197
Additions	-	13	630	247	228	1,118
Disposals	-	-	-	(331)	-	(331)
Written off	-	(5,967)	(996)	-	(378)	(7,341)
Disposal of a subsidiary	-	-	(631)	(2,441)	-	(3,072)
Transfer to non-current assets held for sale	-	-	(5)	(153)	-	(158)
Exchange realignment	(3,359)	-	(38)	(191)	(250)	(3,838)
<b>At 31 March 2020</b>	<b>47,267</b>	<b>1,271</b>	<b>4,960</b>	<b>4,686</b>	<b>12,391</b>	<b>70,575</b>
<b>Accumulated depreciation and impairment</b>						
At 1 April 2018	41,127	6,771	5,077	3,762	11,090	67,827
Charge for the year	1,113	431	368	1,192	713	3,817
Written back on disposals	-	-	(3)	(1,090)	(13)	(1,106)
Written off	-	-	(34)	-	(96)	(130)
Exchange realignment	(2,701)	-	(50)	(119)	(265)	(3,135)
At 31 March 2019 and 1 April 2019	39,539	7,202	5,358	3,745	11,429	67,273
Charge for the year	1,067	14	329	1,057	648	3,115
Written back on disposals	-	-	-	(331)	-	(331)
Written off	-	(5,960)	(909)	-	(333)	(7,202)
Disposal of a subsidiary	-	-	(567)	(1,240)	-	(1,807)
Transfer to non-current assets held for sales	-	-	(2)	(44)	-	(46)
Exchange realignment	(2,652)	-	(34)	(62)	(250)	(2,998)
<b>At 31 March 2020</b>	<b>37,954</b>	<b>1,256</b>	<b>4,175</b>	<b>3,125</b>	<b>11,494</b>	<b>58,004</b>
<b>Carrying amount</b>						
<b>At 31 March 2020</b>	<b>9,313</b>	<b>15</b>	<b>785</b>	<b>1,561</b>	<b>897</b>	<b>12,571</b>
At 31 March 2019	11,087	23	642	3,810	1,362	16,924

At 31 March 2020 and 2019, the Group was in the process of obtaining the building ownership certificates of the Group's buildings. Notwithstanding this, the Directors are of the opinion that the Group has obtained the legal rights to use these assets as at 31 March 2020 and 2019.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

### 17. INTANGIBLE ASSETS

	Drama Scripts HK\$'000	Medical waste treatment HK\$'000	Free right HK\$'000	Total HK\$'000
<b>Cost</b>				
At 1 April 2018	-	34,864	151,286	186,150
Additions	26,306	-	-	26,306
Exchange realignment	-	(2,289)	-	(2,289)
At 31 March 2019 and 1 April 2019	<b>26,306</b>	<b>32,575</b>	<b>151,286</b>	<b>210,167</b>
Disposal of a subsidiary	-	(31,251)	-	(31,251)
Transfer to non-current assets classified as held for sale	(26,306)	-	-	(26,306)
Exchange realignment	-	(1,324)	-	(1,324)
<b>At 31 March 2020</b>	<b>-</b>	<b>-</b>	<b>151,286</b>	<b>151,286</b>
<b>Accumulated amortisation and impairment</b>				
At 1 April 2018	-	26,158	151,286	177,444
Amortisation during the year	-	933	-	933
Exchange realignment	-	(1,718)	-	(1,718)
At 31 March 2019 and 1 April 2019	-	<b>25,373</b>	<b>151,286</b>	<b>176,659</b>
Amortisation during the year	-	820	-	820
Disposal of subsidiary	-	(25,162)	-	(25,162)
Impairment	20,906	-	-	20,906
Transfer to non-current assets classified as held for sale	(20,906)	-	-	(20,906)
Exchange realignment	-	(1,031)	-	(1,031)
<b>At 31 March 2020</b>	<b>-</b>	<b>-</b>	<b>151,286</b>	<b>151,286</b>
<b>Carrying amount</b>				
<b>At 31 March 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
At 31 March 2019	26,306	7,202	-	33,508

Medical waste treatment represents the assets from medical waste treatment segment which are recognised as intangible asset under HK(IFRIC) – Int 12 when the Group receives a right to charge users of the public service. The Group entered into two service concession agreements with the local governments in Siping, Jilin Province and in Suihua, Heilongjiang Province, PRC to construct medical waste treatment centers. Under the terms of the agreements, the Group shall operate the medical waste treatment centers for a period of 20 years. The Group shall be responsible for any maintenance services required during the concession period. The service concession agreements do not contain a renewal option. The intangible asset is disposed of during the year ended 31 March 2020 upon the disposal of a subsidiary.



## Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

### 17. INTANGIBLE ASSETS (continued)

Drama scripts represent the scripts of the dramas together with the intellectual property rights and other relevant rights for advertising media business segment. During the year and subsequent to the end of the reporting period, certain drama scripts were under settlement and release back to vendor as non-current assets held for sale. Impairment loss of HK\$20,906,000 has been recognised on the classification as held for sale. Details are set out in note 24.

Free right arise from a cooperation agreement with Xinhua News Agency Asia-Pacific Regional Bureau Limited ("APRB"), which was a former substantial shareholder of the Company, for the development of the TV screen broadcast business (the "Cooperation Agreement"). Free right is fully impaired during the year ended 31 March 2016.

The following useful lives are used in the calculation of amortisation:

	Useful life	Remaining useful life
Medical waste treatment	20 years	Disposed
Free right	10 years	1 year
Drama scripts	Over the shorter of the underlying license period and their useful life with reference to projected revenue	Classified as non-current assets as held for sale

No impairment was recognised for 2019.

### 18. INVESTMENT PROPERTIES

	2020 HK\$'000	2019 HK\$'000
At the beginning of year	31,521	-
Transfer from trade receivables	8,086	21,262
Fair value (loss)/gain on an investment properties	(1,969)	10,270
Impairment	(13,919)	-
Transfer to non-current assets classified as held for sale	(15,884)	-
Exchange realignment	(1,666)	(11)
At the end of year	6,169	31,521

The estimated fair value of investment properties as at 31 March 2020 was approximately HK\$6,169,000 (2019: HK\$31,521,000), which has been arrived at on the basis of a valuation carried out by Greater China Appraisal Limited, an independent professional valuer (2019: CHFT Advisory and Appraisal Ltd.).

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

### 19. LEASES AND RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	2020 HK\$'000
Disclosures of lease-related items:	
At 31 December	
Right-of-use assets	
– Buildings	2,168
– Machinery	272
	<b>2,440</b>
Lease commitments of short-term leases	<b>3</b>
The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:	
– Within 1 year	1,812
– Between 2 and 5 years	764
	<b>2,576</b>
Depreciation charge of right-of-use assets	
– Buildings	7,123
– Machinery	42
	<b>7,165</b>
Lease interests	<b>358</b>
Expenses related to short-term leases	<b>2,052</b>
Total cash outflow for leases	<b>10,047</b>
Additions to right-of-use assets	<b>2,353</b>

The Group leases various land and buildings and machinery. Lease agreements are typically made for fixed periods of 1.25 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

### 20. INVENTORIES

	2020 HK\$'000	2019 HK\$'000
Finished goods	277	361

### 21. TRADE RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Trade receivables	53,173	77,253
Less: Impairment loss recognised on trade receivables	(160)	-
	<b>53,013</b>	77,253

The Group's trading terms with its customers are mainly on credit. Trade receivables are non-interest-bearing and are generally terms of 0 to 90 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by management. The Group does not hold any collateral or other credit enhancements over its trade receivables balances.

Reconciliation of impairment loss for trade receivables:

	2020 HK\$'000	2019 HK\$'000
Balance at the beginning of the year	-	31,500
Increase in loss allowance for the year	3,132	-
Amount written off as uncollectible	-	(31,500)
Transfer to non-current assets classified as held for sale	(2,888)	-
Exchange realignment	(84)	-
Balance at the end of the year	<b>160</b>	-

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:

	2020 HK\$'000	2019 HK\$'000
Within 30 days	21,579	36,620
31 to 60 days	21,322	20,366
61 to 90 days	4,823	5,966
91 to 120 days	5,205	11,335
Over 120 days	84	2,966
	<b>53,013</b>	77,253

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

### 21. TRADE RECEIVABLES (continued)

The Group's credit risk is primarily attributable to its trade receivables. In order to minimise credit risk, the Directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The weighted average expected credit losses also incorporate forward looking information.

	Current	Within 30 days past due	31-60 days past due	61-120 days past due	121 days- 1 year past due	Over 1 year past due	Total
<b>At 31 March 2020</b>							
Weighted average expected loss rate	0%	0%	0%	0%	99.38%	0%	
Receivable amount (HK\$'000)	47,724	5,205	47	36	161	-	53,173
Loss allowance (HK\$'000)	-	-	-	-	160	-	160
<b>At 31 March 2019</b>							
Weighted average expected loss rate	0%	0%	0%	0%	0%	0%	
Receivable amount (HK\$'000)	61,715	1,433	372	11,160	2,573	-	77,253
Loss allowance (HK\$'000)	-	-	-	-	-	-	-

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

### 22. PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES

	Note	2020 HK\$'000	2019 HK\$'000
Prepayments		2,444	3,944
Deposits		3,079	5,576
Other receivables		19,644	19,860
Amount due from a related company	34(b)	7,004	–
Less: Impairment recognised on other receivables and deposits		(19,381)	(18,690)
		<b>12,790</b>	10,690

The other receivables mainly included the loan receivable (the "Loan") which was advanced to Sheng Tang Petroleum & Chemical Development Limited (the "Borrower"), an independent third party of the Company. The loan is unsecured and receivable on demand. The loan receivable is charged at an interest rate of 6% per annum. As of 31 March 2018, the Loan in the original principal amount of HK\$18,000,000, bearing interest at a rate of 6% per annum, an amount of HK\$3,690,000 was outstanding and total HK\$18,690,000 was made for the provision of impairment.

During the year ended 31 March 2019, approximately HK\$3,000,000 has been settled by the Borrower. A provision for impairment of HK\$18,690,000 has been provided for this balance of the loan since the fiscal year of 2017/18. 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 the Borrower for the recovering the loan. Based on a legal advice provided in October 2018, the Board decided to enforce the final judgement on 30 November 2018. In March 2019, the Company successfully obtained garnishee orders from the Court of First instance to order banks to pay to the company relevant amount and attend a hearing. However, banks later replied to the legal representative of the Company that either no fund was attached or the bank account was closed by the Borrower therefore would not attend the hearing.

During the year ended 31 March 2020, no further actions have been taken by the Company. The Company will however, closely monitor the development of the matter and will take appropriate action when necessary.

### 23. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	2020 HK\$'000	2019 HK\$'000
Cash and bank balances	30,207	48,162
Time deposits	24,153	24,653
	<b>54,360</b>	72,815
Less: Pledged short-term time deposits for banking facilities	(2,066)	(2,056)
Cash and cash equivalents	<b>52,294</b>	70,759

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

### 23. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS (continued)

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to approximately HK\$176,000 (2019: HK\$6,606,000). RMB is not freely convertible into other currencies; however, under PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

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\$2,066,000 (2019: HK\$2,056,000), and a property owned by a related company which is controlled by a director of the Company.

### 24. NON-CURRENT ASSETS HELD FOR SALE

	Notes	2020 HK\$'000
The classes of assets and liabilities comprising the disposal group classified as held for sale at 31 March 2020 are as follows:		
(a) Disposal of a subsidiary related to Drama scripts		
Intangible assets		
– Drama Scripts		5,400
Net assets of disposal of a subsidiary	(a)	5,400
(b) Disposal of a subsidiary related to an investment property		
Property, plant and equipment		112
Investment property		15,884
Prepayments, deposits and other receivables		22
Deferred tax assets		57
Total assets classified as held for sale		16,075
Trade payables		(10,301)
Other payables and accrued liabilities		(324)
Total liabilities classified as held for sale		(10,625)
Net assets of disposal a subsidiary	(b)	5,450
Total assets of disposal of subsidiaries		10,850

Note (a): During the year, the directors resolved to dispose of the 100% equity interest in a subsidiary which holding the Drama Scripts. Subsequent to the end of reporting period, the Company and the original vendor (the "Vendor") were entered into a settlement agreement ("Settlement Agreement"), pursuant to which, the Company dispose 100% equity interest in the above mentioned subsidiary to the Vendor, and the shares previously issued to the Vendor for acquisition will be dispose in public market and the proceeds will be paid to the Company accordingly. The assets and liabilities attributable to the subsidiary, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

### 24. NON-CURRENT ASSETS HELD FOR SALE (continued)

Note (b): During the year, the directors resolved to dispose of the 100% equity interest in a subsidiary which is holding an investment property. Subsequent to the end of the reporting period, the Company and the vendor (the "Vendor") entered into a sales and purchase agreement ("S&P Agreement"), pursuant to which, the Company disposes of 100% equity interest in the above mentioned subsidiary to the Vendor, with the consideration of RMB5,000,000. The assets and liabilities attributable to the subsidiary, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position.

At 31 March 2020, cumulative income or expense attribute to owners of the Company recognised in other comprehensive income relating to the disposal group classified as held for sale amounted to approximately HK\$973,000.

The proceeds from disposals are expected to be less than the carrying amounts of the relevant intangible assets and investment property. Accordingly, impairment losses of HK\$20,906,000 and HK\$13,919,000, respectively, have been recognised for the year ended 31 March 2020 on intangible assets and investment property.

### 25. TRADE PAYABLES

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

	2020 HK\$'000	2019 HK\$'000
Within 30 days	4,982	21,360
31 to 60 days	4,175	20
Over 90 days	497	178
	<b>9,654</b>	21,558

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

### 26. OTHER PAYABLES AND ACCRUED LIABILITIES

Other payables of the Group are non-interest-bearing and have an average payment term of one month.

	2020 Hk\$'000	2019 Hk\$'000
Other payables	10,462	10,837
Accrued liabilities	28,936	32,467
	<b>39,398</b>	43,304

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

### 27. LEASE LIABILITIES

	Lease payments 2020 HK\$'000	Present value of lease payments 2020 HK\$'000
Within one year	1,812	1,742
In the second year	764	736
	<u>2,576</u>	<u>2,478</u>
Less: Future finance charges	<u>(98)</u>	
Present value of lease obligations	<u>2,478</u>	<u>2,478</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)		<u>(1,742)</u>
Amount due for settlement after 12 months		<u>736</u>

At 31 March 2020, the average effective borrowing rate was 4.75%. Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

### 28. OTHER FINANCIAL LIABILITY

Other financial liability is in respect of the contingent consideration for the payment of the scripts of the dramas together with the intellectual property rights and other relevant rights. The estimated aggregate fair value of the remaining allotted and issued consideration shares and the cash consideration as at 31 March 2020 was approximately HK\$Nil (2019: HK\$12,973,000), which has been arrived at on the basis of a valuation carried out by Greater China Appraised Limited (2019: CHFT Advisory and Appraisal Ltd.,) an independent professional valuer.



## Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

### 29. DEFERRED INCOME

	2020 HK\$'000	2019 HK\$'000
<b>Cost</b>		
At 1 April	7,122	7,622
Disposal of a subsidiary	(6,833)	–
Exchange realignment	(289)	(500)
At 31 March	–	7,122
<b>Accumulated amortisation</b>		
At 1 April	3,489	3,475
Amortisation during the year (Note 8)	274	243
Disposal of a subsidiary	(3,621)	–
Exchange realignment	(142)	(229)
At 31 March	–	3,489
<b>Net carrying amount</b>	–	3,633

Deferred income represents unamortised government grants received from the PRC government for the purchase of property, plant and equipment for medical waste treatment during the year. There are no unfilled conditions or contingencies relating to these subsidies.

### 30. DEFERRED TAX (ASSETS)/LIABILITIES

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year is as follows:

	Fair value change of revaluation of investment properties HK\$'000	Total HK\$'000
At 1 April 2018	–	–
Deferred tax charged to profit or loss during the year (note 14)	2,568	2,568
Exchange realignment	(3)	(3)
At 31 March 2019 and 1 April 2019	2,565	2,565
Deferred tax credited to profit or loss during the year (note 14)	(3,012)	(3,012)
Transfer to non-current assets classified as held for sale	57	57
Exchange realignment	(90)	(90)
At 31 March 2020	(480)	(480)

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is approximately HK\$321,000 (2019: HK\$1,067,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

### 31. SHARE CAPITAL

	2020 HK\$'000	2019 HK\$'000
<b>Authorised:</b>		
2,000,000,000 ordinary shares of HK\$0.01 each	20,000	20,000
<b>Issued and fully paid:</b>		
1,675,869,796 (2019: 1,675,869,796) ordinary shares of HK\$0.01 each	16,759	16,759

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

	Number of shares in issue	Issued capital HK\$'000
At 1 April 2018	1,446,294,040	14,463
Issue of shares (Note a and b)	229,575,756	2,296
At 31 March 2019, 1 April 2019 and 31 March 2020	1,675,869,796	16,759

Notes:

- (a) On 7 June 2018, the Company and Prudential Brokerage Limited entered into a placing agreement in respect of the placement of 162,909,090 ordinary shares of HK\$0.01 each to independent investors at a price of HK\$0.275 per share, in order to raise additional capital for the Group to invest and develop advertisement media business and to broaden its shareholders' base. The placement was completed on 26 July 2018 and the premium on the issue of shares, amounting to approximately HK\$42,570,000, was credited to the Company's share premium account.
- (b) On 21 September 2018, the Group entered into agreement with Mr. Gao Xixi and Xiwen Corporation Limited (collectively referred to herein as "Vendors"), pursuant to which the Group has conditionally agreed to purchase, and the Vendors have conditionally agreed to sell 100% shares of Dawen Corporation Limited (the "Acquisition of Dawen"). Dawen Corporation Limited holds the scripts of the dramas together with the Intellectual Property Rights and other relevant rights. The said scripts of the dramas was controlled by, respectfully, Mr. Gao Xixi, who is a nationally reputable Chinese director and producer in the PRC. The Board considered the said Acquisition of Dawen would enhance the Company's businesses, and to open up avenues to new opportunities, which eventually create potential value to the Shareholders. The completion of the Acquisition of Dawen took place on 20 March 2019 whereby 66,666,666 shares with an aggregate fair value of approximately HK\$13,333,000 were allotted and issued to the Vendors. The share capital of the Company was increased by approximately HK\$667,000 and an amount of approximately HK\$12,666,000 was credited to the Company's share premium account.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

### 32. SHARE OPTION SCHEME

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.

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.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

### 32. SHARE OPTION SCHEME (continued)

(a) Details of the specific categories of options are as follows:

	Number of share options	Date of grant	Vesting period	Exercise period	Exercise price per share HK\$
Share options granted to directors	34,708,000	6-Jul-18	N/A	6/7/2018 to 5/7/2028	0.2780
Share options granted to employees	23,232,604	6-Jul-18	1 year from the date of grant	6/7/2019 to 5/7/2028	0.2780
	<u>57,940,604</u>				

If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group.

(b) Details of the share options outstanding during the year are as follows:

	2020		2019	
	Number of share options	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$
Outstanding at the beginning of the year	<b>57,940,604</b>	<b>0.278</b>	1,367,400	0.1882
Granted during the year	-	-	57,940,604	0.2780
Lapsed during the year	<b>(24,759,302)</b>	<b>0.278</b>	(1,367,400)	0.1882
Outstanding at the end of the year	<b>33,181,302</b>	<b>0.278</b>	57,940,604	0.2780
Exercisable at the end of the year	<b>33,181,302</b>		34,708,000	

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

### 32. SHARE OPTION SCHEME (continued)

Movements of the share options during the year ended 31 March 2020 are listed below in accordance with Chapter 17 of the Listing Rules:

Name or category of participant	As at 1 April 2018	Lapsed during the year Granted	As at 31 March 2019	Lapsed during the year	As at 31 March 2020	Date of grant of share options	Exercise period of share options	Exercise price of share option HK\$ per share
<b>Directors</b>								
Mr. Chan Chun Wo (removed on 27 April 2020)	-	-	14,462,000	14,462,000	-	14,462,000	6/7/2018 to 5/7/2028	0.278
Ms. Chen Ming (resigned on 31 October 2019, grace period from 30 November 2019 to 29 November 2024)	-	-	1,446,000	1,446,000	-	1,446,000	6/7/2018 to 5/7/2028	0.278
Mr. Li Bing (resigned on 1 June 2019)	-	-	8,677,000	8,677,000	(8,677,000)	-	6/7/2018 to 5/7/2028	0.278
Mr. Huang Wen Kai (resigned on 17 January 2020)	-	-	8,677,000	8,677,000	(8,677,000)	-	6/7/2018 to 5/7/2028	0.278
Ms. Lee Suen (resigned on 18 December 2019)	-	-	1,446,000	1,446,000	(1,446,000)	-	6/7/2018 to 5/7/2028	0.278
Sub-total	-	-	34,708,000	34,708,000	(18,800,000)	15,908,000		
All other eligible participant	1,367,400	(1,367,400)	-	-	-	-	29/9/2016 to 28/9/2026	0.1882
Continuous Contracts Employees	-	-	23,232,604	23,232,604	(5,959,302)	17,273,302	6/7/2018 to 5/7/2028	0.278
Sub-total	1,367,400	(1,367,400)	23,232,604	23,232,604	(5,959,302)	17,273,302		
Total	1,367,400	(1,367,400)	57,940,604	57,940,604	(24,759,302)	33,181,302		

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

### 32. SHARE OPTION SCHEME (continued)

No share options (2019: Nil) were exercised and 24,759,302 share options (2019: 1,367,400 share options) were lapsed during the year ended 31 March 2020. The options outstanding at the end of the year have a weighted average remaining contractual life of 8.3 years (2019: 9.3 years) and the exercise price is HK\$0.2780 per share (2019: HK\$0.2780 per share).

The fair values of options granted under the Share Option Scheme measured at the date of grant during the year ended 31 March 2019 was approximately HK\$9,691,000. The following significant assumptions were used to derived the fair value using the Binomial Option Pricing Model:

	6 July 2018	6 July 2018
Grantee	Director	Employee
Total number of share option	34,708,000	23,232,604
Option value	0.174	0.157
Option life	10 years	10 years
Expected Tenor	10 years	10 years
Exercise price	0.278	0.278
Stock price at the date of grant	0.275	0.275
Expected volatility	80.88%	80.88%
Risk-free rate	2.11%	2.11%

Expected volatility was reference to Bloomberg calculated from the weighted average historical volatility of weekly return of share price of comparable companies and the Company. Risk-free rate represents the yields to maturity of Hong Kong Exchange Fund Note with respective terms to maturity as at the share options granted date. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considers.

### 33. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the consolidated financial statements.

The Group's contributed surplus represents the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation prior to the listing of the Company's shares, over the nominal value of the Company's shares issued in exchange therefor.

The Group's merger reserve arose from the business combination under common control in respect of the acquisition of Peixin Group Limited in the year ended 31 March 2009.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

### 34. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, the Group had the following transactions with related companies, of which certain directors are also Directors, during the year.

	2020 HK\$'000	2019 HK\$'000
Management fee income from a related company (Note)	60	60
Sales to a related company	155	53

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 balance with related parties:

	2020 HK\$'000	2019 HK\$'000
<b>Amount due from a related company</b>		
Honest Grand International Ltd	7,004	–
<b>Amount due to a related company</b>		
Sky Merit International Ltd	1,055	–
<b>Loans from a director</b>		
Within one year	5,834	1,167
2 to 5 years	–	5,081
	<b>5,834</b>	<b>6,248</b>

The amounts due are unsecured, interest-free and should be repaid within one year.

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

	2020 HK\$'000	2019 HK\$'000
Short-term employee benefits	6,444	7,333
Post-employment benefits	106	116
Equity-settled share option expense	–	5,795
Total compensation paid to key management personnel	<b>6,550</b>	<b>13,244</b>

Further details of directors' emoluments are included in Note 12 to the consolidated financial statements.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

### 35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2020 HK\$'000	2019 HK\$'000
<b>Non-current assets</b>			
Investments in subsidiaries		16,021	36,017
<b>Total non-current assets</b>		<b>16,021</b>	36,017
<b>Current assets</b>			
Amount due from subsidiaries		71,493	113,775
Prepayments, deposits and other receivables		9,282	1,979
Cash and cash equivalents		136	139
<b>Total current assets</b>		<b>80,911</b>	115,893
<b>Current liabilities</b>			
Other payables and accrued liabilities		2,724	1,919
Other financial liability		-	12,973
<b>Total current liabilities</b>		<b>2,724</b>	14,892
<b>Net current assets</b>		<b>78,187</b>	101,001
<b>Total assets less current liabilities</b>		<b>94,208</b>	137,018
<b>Net assets</b>		<b>94,208</b>	137,018
<b>Capital and reserves</b>			
Share capital	31	16,759	16,759
Reserves	36	77,449	120,259
<b>Total equity</b>		<b>94,208</b>	137,018

Approved by the Board on 13 July 2020 and signed on its behalf by:

**Lo Kou Hong**  
Chairman

**Tsui Kwok Hing**  
Executive Director



## Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

### 36. RESERVES OF THE COMPANY

A summary of the Company's reserves is as follows:

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Share option reserve HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2018	492,161	254	154	59,511	(477,076)	75,004
Loss for the year	-	-	-	-	(18,761)	(18,761)
Total comprehensive loss for the year	-	-	-	-	(18,761)	(18,761)
Issued of ordinary shares	55,236	-	-	-	-	55,236
Lapsed of share options	-	-	(154)	-	154	-
Equity-settled share option expense	-	-	8,780	-	-	8,780
At 31 March 2019 and 1 April 2019	547,397	254	8,780	59,511	(495,683)	120,259
Loss for the year	-	-	-	-	(43,721)	(43,721)
Total comprehensive loss for the year	-	-	-	-	(43,721)	(43,721)
Lapsed of share options	-	-	(4,210)	-	4,210	-
Equity-settled share option expense	-	-	911	-	-	911
<b>At 31 March 2020</b>	<b>547,397</b>	<b>254</b>	<b>5,481</b>	<b>59,511</b>	<b>(535,194)</b>	<b>77,449</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

### 37. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 March 2020 are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Sinopoint Corporation	British Virgin Islands/Hong Kong	US\$100 Ordinary	100	-	Investment holding
Lo's Cleaning Services Limited	Hong Kong	HK\$100 Ordinary HK\$26,768,000 Non-voting deferred	-	100	Provision of cleaning and related services
Lo's Enviro-Pro Limited	Hong Kong	HK\$100	-	100	Investment holding
Marce International Limited	British Virgin Islands/Hong Kong	US\$100 Ordinary	-	100	Investment holding
Peixin Group Limited	British Virgin Islands/Hong Kong	-	-	70	Investment holding
Shuyang ITAD Environmental Technology Limited*	PRC	RMB123,640,000	-	70	Provision of waste treatment services
Ally Thrive Investments Limited	British Virgin Islands/Hong Kong	US\$100 Ordinary	100	-	Dormant
Xinhua News Media Limited	British Virgin Islands	US\$1 Ordinary	100	-	Provision of advertising media business
Utter Enlightenment International Limited	British Virgin Islands	US\$1 Ordinary	-	100	Investment holding
Kaoting Investment Co. Ltd.	Macau	MOP100,000	-	100	Investment holding
Precise Vision International Limited	British Virgin Islands	US\$50,000	-	100	Investment holding
Treasure Mind Developments Limited	British Virgin Islands	US\$10	-	100	Investment holding

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

### 37. PARTICULARS OF SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Easy Advance International Trading Limited	Hong Kong	HK\$1	-	100	Investment holding
Million Potential Limited	British Virgin Islands	US\$10	-	100	Investment holding
Asia Surplus Limited	British Virgin Islands	US\$10	-	100	Investment holding
Asia Surplus (Hong Kong) Limited	Hong Kong	HK\$3,000,000 Ordinary	-	100	Investment holding
DaWen Corporation Limited	Hong Kong	HK\$35,000,000 Ordinary	-	100	Investing in TV dramas and film
Elite Gain International Limited	British Virgin Islands	US\$1 Ordinary	-	100	Investment holding
Heng Qin Hetong ** (橫琴和同文化傳播有限公司)	PRC	US\$3,000,000	-	100	Provision of advertising media business
Sichuan Chuang Fu Hai Cultural Limited ** (四川創富海文化傳播 有限公司)	PRC	RMB5,000,000	-	100	Provision of advertising media business

# The English names are for identification only

\* Registered as wholly foreign-owned enterprises under PRC law

The Directors made an assessment as at the date of the reporting period that there is no individual subsidiary that was non-controlling interest which is material to the Group and therefore no financial information is disclosure for these non-wholly owned subsidiaries.

#### Significant restrictions

Cash and short-term deposits of RMB held in the PRC are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the PRC, other than through normal dividends.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 38. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	2020 HK\$'000	2019 HK\$'000
<b>Financial assets</b>		
<i>Financial assets at amortised cost (including cash and cash equivalents):</i>		
Trade receivables	53,013	77,253
Financial assets included in prepayments, deposits and other receivables	9,863	6,110
Pledged time deposits	2,066	2,056
Cash and cash equivalents	52,294	70,759
<b>Financial liabilities</b>		
<i>Financial liability at fair value through profit or loss</i>	–	12,973
<i>Financial liabilities at amortised cost:</i>		
Amount due to a related company	1,055	–
Trade payables	9,654	21,558
Financial liabilities included in other payables and accrued liabilities	31,218	33,014
Lease liabilities	2,478	–
Finance lease payables	–	562
Loans from a director	5,834	6,248

## 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing such risks and they are summarised below.

### Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group's interest-bearing financial instruments are mainly cash and short-term deposits.

As at the end of the reporting period, the Group's exposure to interest rate risk is considered to be relatively small as the Group's financial instruments predominately were non-interest-bearing or carried at minimal interest rates.

### Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group has no specific policy to deal with foreign currency risk. However, management monitors the exposure and will consider hedging the foreign currency risk exposure for significant cash flow risks should the need arise. As at the end of the reporting period, the Group's exposure to foreign currency risk is minimal as all transactions are denominated in the operating units' functional currency.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following information is used:

- internal credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower;
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

### Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered included the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

### Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 120 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Credit risk (continued)

##### Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

The Group's credit risk is primarily attributable to its trade and other receivables and deposits with financial institutions.

##### Trade receivables

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer. At the end of the reporting period, the Group has certain concentrations of credit risk as 25% (2019: 30%) and 68% (2019: 77%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively, within the cleaning and related services and advertising media business segment. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 21.

##### Deposits with financial institutions

The Group limits its exposure to credit risk by placing deposits with financial institutions that meet the established credit rating or other criteria. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations. At 31 March 2020 and 2019, the Group has low concentration of credit risk as the deposits are placed in various financial institutions.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Within 1 year or on demand HK\$'000	2 to 5 years HK\$'000	Total HK\$'000
<b>2020</b>			
Trade payables	9,654	–	9,654
<b>Financial liabilities included</b>			
in other payables and accrued liabilities	31,218	–	31,218
Amount due to a related company	1,055	–	1,055
Lease liabilities	1,742	736	2,478
Loans from a director	5,834	–	5,834
Future finance charges	70	28	98
	<b>49,573</b>	<b>764</b>	<b>50,337</b>
<b>2019</b>			
Trade payables	21,558	–	21,558
<b>Financial liabilities included</b>			
in other payables and accrued liabilities	33,014	–	33,014
Finance lease payables	268	294	562
Future finance charges	18	14	32
Loans from a director	1,167	5,081	6,248
Other financial liability	12,973	–	12,973
	<b>68,998</b>	<b>5,389</b>	<b>74,387</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Fair value

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.

#### Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2020 and 2019.

The Group monitors capital using a current ratio, which is current assets divided by the current liabilities. The Group's policy is to maintain net positive current assets and a current ratio greater than one as shown as follows:

	2020 HK\$'000	2019 HK\$'000
Current assets	142,420	161,119
Current liabilities	(68,308)	(84,264)
Net current assets	74,112	76,855
Current ratio	2.1	1.9



## Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

### 40. FAIR VALUE MEASUREMENTS

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.

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 at 31 March 2020:

Description	Fair value measurement using:			Total 2020 HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Recurring fair value measurements:				
Investment properties				
Commercial – PRC	-	-	6,169	6,169
Other financial liability				
Derivative - contingent consideration	-	-	-	-
	-	-	6,169	6,169

Disclosures of level in fair value hierarchy at 31 March 2019:

Description	Fair value measurement using:			Total 2019 HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Recurring fair value measurements:				
Investment property				
Commercial – PRC	-	-	31,521	31,521
Other financial liability				
Derivative-contingent consideration	-	-	(12,973)	(12,973)
	-	-	18,548	18,548

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

### 40. FAIR VALUE MEASUREMENTS (continued)

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

	Investment properties 2020 HK\$'000	Other financial liability 2020 HK\$'000	Total 2020 HK\$'000
At 1 April 2019	31,521	(12,973)	18,548
Transfer from trade receivables	8,086	-	8,086
Fair value loss on investment properties <sup>#</sup>	(1,969)	-	(1,969)
Other (losses)/gains	(13,919)	12,973	(946)
Transfer to non-current assets classified as held for sale	(15,884)	-	(15,884)
Exchange realignment	(1,666)	-	(1,666)
At 31 March 2020	6,169	-	6,169
<sup>#</sup> Include (losses)/gains for assets held at end of reporting period	(1,969)	12,973	11,004

	Investment properties 2019 HK\$'000	Other financial liability 2019 HK\$'000	Total 2019 HK\$'000
At 1 April 2018	-	-	-
Transfer from trade receivables	21,262	-	21,262
Fair value gain on investment properties <sup>#</sup>	10,270	-	10,270
Issue	-	(12,973)	(12,973)
Exchange realignment	(11)	-	(11)
At 31 March 2019	31,521	(12,973)	18,548
<sup>#</sup> Include gains for assets held at end of reporting period	10,270	-	10,270

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

### 40. FAIR VALUE MEASUREMENTS (continued)

- (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 2020 HK\$'000
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#### Investment properties

House Nos. 103, 105 and 110 of House Zone 2, No. 1 Tuanshan Road, Sun Hang Kai, Emerald City Project, Jiangyang District, Luzhou City, Sichuan Province, the PRC	Direct Comparison	Comparable Evidence RMB4,740 per square metre	Increase	6,169
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#### Other financial liability

Derivative – Contingent consideration 59,683,052 shares and HK\$2,095,085 cash	Discounted cash flow	Profit after tax	Increase	-
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Description	Valuation technique	Unobservable inputs	Effect on fair value for increase of inputs	Fair value 2019 HK\$'000
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#### Investment properties

Shops situated at Building No. 11 (Phase 2), Rong Hao, Feicui Project (融豪·翡翠城項目), Land Plot No. 2, Luzhou, Sichuan Province, the PRC	Direct Comparison and Residual Method	Comparable Evidence RMB16,000 to RMB17,776 per square metre	Increase	31,521
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#### Other financial liability

Derivative – Contingent consideration 59,683,052 shares and HK\$2,095,085 cash	Discounted cash flow	Cost of debt 5.1%	Decrease	12,973
		Long-term pre-tax profit margin 32.2%–45.2%	Increase	
		Long-term pre-tax operating margin 30.9%–40.6%	Increase	

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

### 41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

#### Changes in liabilities arising from financing activities

The following table shows the Group's changes in liabilities arising from financing activities during the year:

	Lease liabilities HK\$'000	Finance lease payables HK\$'000	Total liabilities from financing activities HK\$'000
At 1 April 2019	–	1,028	1,028
Changes in cash flows	–	(497)	(497)
Non-cash changes			
– interest charged	–	31	31
At 31 March 2019 and 1 April 2019	–	562	562
Changes in cash flows	(7,995)	–	(7,995)
Non-cash changes			
– recognition upon initial application of HKFRS 16	9,631	–	9,631
– new leases entered during the year	2,353	–	2,353
– remeasurement upon early termination of leases	(2,431)	–	(2,431)
– transfer	562	(562)	–
– interest charged	358	–	358
At 31 March 2020	<b>2,478</b>	<b>–</b>	<b>2,478</b>

### 42. 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 HK\$16,362,000 (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 31 March 2020 and 2019. Up to the date of this report, the claim against the Group for legal costs with interest is approximately HK\$1,224,000 (which decision is still pending).

### 43. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 13 July 2020.

# FIVE YEAR FINANCIAL SUMMARY

## RESULTS

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
<b>CONTINUING OPERATIONS</b>					
REVENUE	<b>348,648</b>	404,279	349,240	336,504	309,846
LOSS BEFORE TAX	<b>(47,561)</b>	(7,172)	(36,539)	(16,213)	(59,806)
INCOME TAX CREDITS/(EXPENSES)	<b>1,387</b>	(9,054)	(2,391)	(1,015)	(315)
LOSS FOR THE YEAR	<b>(46,174)</b>	(16,226)	(38,930)	(17,228)	(60,121)
ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY	<b>(47,199)</b>	(15,582)	(39,964)	(18,033)	(60,248)
NON-CONTROLLING INTERESTS	<b>1,025</b>	(644)	1,034	805	127
	<b>(46,174)</b>	(16,226)	(38,930)	(17,228)	(60,121)
<b>ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS</b>					
TOTAL ASSETS	<b>164,080</b>	243,072	161,746	177,887	184,727
TOTAL LIABILITIES	<b>(69,044)</b>	(95,837)	(63,980)	(57,411)	(54,937)
NON-CONTROLLING INTERESTS	<b>828</b>	2,478	3,631	3,450	3,808
	<b>95,864</b>	149,713	101,397	123,926	133,598