



XINHUA
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XINHUA NEWS MEDIA HOLDINGS LIMITED

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

Interim Report
2020/2021

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Lo Kou Hong *(Chairman)*
Fu Jun *(Chief Executive Officer)*
Tsui Kwok Hing
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

The board (the "Board") of directors (the "Directors") of Xinhua News Media Holdings Limited (the "Company") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 2020. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2020

	Notes	For the six months ended 30 September	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue	5	121,967	183,788
Other income and gains	6	32,207	11,427
Staff costs		(89,923)	(129,395)
Depreciation and amortisation	7	(2,713)	(6,215)
Other operating expenses		(38,407)	(57,949)
Finance costs	8	(144)	(217)
Share option expenses		(7,237)	(911)
Fair value gain on an investment property		-	795
Profit before income tax	7	15,750	1,323
Income tax expenses	9	-	(433)
Profit for the period		15,750	890
Other comprehensive income/(loss), net of tax			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations:			
Exchange differences arising during the period		1,632	(3,101)
Exchange difference reclassified to profit or loss upon disposal of a subsidiary		(973)	-
Total comprehensive profit/(loss) for the period		16,409	(2,211)
Profit/(loss) for the period attributable to:			
Owners of the Company		15,961	2,574
Non-controlling interests		(211)	(1,684)
		15,750	890
Total comprehensive profit/(loss) attributable to:			
Owners of the Company		16,646	(62)
Non-controlling interests		(237)	(2,149)
		16,409	(2,211)
Earnings per share attributable to the owners of the Company			
Basic and diluted	10	HK\$0.0094	HK\$0.0015

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2020

	Notes	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		12,599	12,571
Investment properties	11	6,452	6,169
Right-of-use assets		501	2,440
Deferred tax assets		3,023	480
Total non-current assets		22,575	21,660
Current assets			
Inventories		138	277
Trade receivables	12	46,684	53,013
Prepayments, deposits and other receivables	13	18,485	12,790
Pledged time deposits	14	2,071	2,066
Cash and cash equivalents		93,670	52,294
Current tax assets		505	505
		161,553	120,945
Non-current assets classified as held for sale		5,400	21,475
Total current assets		166,953	142,420
Total assets		189,528	164,080
LIABILITIES			
Current liabilities			
Trade payables	15	9,068	9,654
Other payables and accrued liabilities	16	37,449	39,398
Amount due to a related company		1,055	1,055
Lease liabilities		1,427	1,742
Loans from a director		6,102	5,834
Promissory notes payable	17	3,000	-
		58,101	57,683
Liabilities associated with assets classified as held for sale		-	10,625
Total current liabilities		58,101	68,308

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 September 2020

		30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
	<i>Note</i>		
Net current assets		108,852	74,112
Total assets less current liabilities		131,427	95,772
Non-current liabilities			
Lease liabilities		1,695	736
Total non-current liabilities		1,695	736
Net assets		129,732	95,036
EQUITY			
Equity attributable to owners of the Company			
Share capital	20	18,049	16,759
Reserves		111,092	77,449
		129,141	94,208
Non-controlling interests		591	828
Total equity		129,732	95,036

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

	Attributable to owners of the Company									Non-controlling interest	Total
	Share capital	* Share premium	* Capital redemption reserve	* Merger reserve	* Share option reserve	* Contributed surplus	* Accumulated losses	* Exchange fluctuation reserve	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1 April 2019 (Audited)	16,759	547,397	254	47,063	8,780	26,758	(514,281)	12,027	144,757	2,478	147,235
Profit/(loss) for the period (Unaudited)	-	-	-	-	-	-	2,574	-	2,574	(1,684)	890
Other comprehensive (loss) for the period (Unaudited)	-	-	-	-	-	-	-	(2,636)	(2,636)	(465)	(3,101)
Total comprehensive profit/(loss) for the period (Unaudited)	-	-	-	-	-	-	2,574	(2,636)	(62)	(2,149)	(2,211)
Equity-settled share option expense (Unaudited)	-	-	-	-	911	-	-	-	911	-	911
At 30 September 2019 (Unaudited)	16,759	547,397	254	47,063	9,691	26,758	(511,707)	9,391	145,606	329	145,935
At 1 April 2020 (Audited)	16,759	547,397	254	47,063	5,481	26,591	(557,103)	7,766	94,208	828	95,036
Profit/(loss) for the period (Unaudited)	-	-	-	-	-	-	15,961	-	15,961	(211)	15,750
Other comprehensive profit/(loss) for the period (Unaudited)	-	-	-	-	-	-	-	685	685	(26)	659
Total comprehensive profit/(loss) for the period (Unaudited)	-	-	-	-	-	-	15,961	685	16,646	(237)	16,409
Issued of ordinary shares (Unaudited)	1,290	9,760	-	-	-	-	-	-	11,050	-	11,050
Equity-settled share option expense (Unaudited)	-	-	-	-	7,237	-	-	-	7,237	-	7,237
Lapsed share options (Unaudited)	-	-	-	-	(2,896)	-	2,896	-	-	-	-
At 30 September 2020 (Unaudited)	18,049	557,157	254	47,063	9,822	26,591	(538,246)	8,451	129,141	591	129,732

* The reserve accounts comprise the consolidated reserves of approximately HK\$111,092,000 (31 March 2020: approximately HK\$77,449,000) in the condensed consolidated statement of financial position as at 30 September 2020.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

	For the six months ended 30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash flows generated from operating activities	23,717	3,875
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposals of a subsidiary	5,700	–
Other investing cash flows	(788)	1,386
Net cash flows generated from investing activities	4,912	1,386
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from placing of new shares	11,050	–
Proceeds from issuance of promissory notes	3,000	–
Other financing cash flows	(1,426)	(3,981)
Net cash flows generated/(used in) from financing activities	12,624	(3,981)
NET INCREASE IN CASH AND CASH EQUIVALENTS	41,253	1,280
Cash and cash equivalents at the beginning of period	52,294	70,759
Effect of exchange rate changes on the balance of cash held in foreign currencies	123	(131)
Cash and cash equivalents at end of period	93,670	71,908
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	39,550	45,831
Non-pledged time deposits with original maturity of less than three months when acquired	54,120	26,077
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	93,670	71,908



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2020

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The principal place of business of the Company is located at Unit 407, Fu Hang Industrial Building, 1 Hok Yuen Street East, Hungghom, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

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

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements ("Interim Financial Statement") have been prepared in accordance with Hong Kong Accounting Standards 34 ("Interim Financial Reporting") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosures requirements sets out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Main Board Listing Rules").

The Interim Financial Statements do not included all the information and disclosures required a full set of financial statements, and should be read in conjunction with the Group's 2020 annual consolidated financial statements for the year ended 31 March 2020 ("2020 Annual Report"). The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in 2020 Annual Report.

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

In the current interim period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2020. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group accounting policies, presentation of the Group's financial statements and amounts reported for the current interim period and prior years.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2020

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three 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 the development and operations of advertising media;
- (c) the medical waste treatment business segment engages in the provision of non-incineration medical waste handling services for hospitals-disposed during the year ended 31 March 2020; 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 profit before income tax. The adjusted profit before income tax is measured consistently with the Group's profit before income tax except that unallocated other income, interest income, gain on bargain purchase, finance costs, share option expense and unallocated head office and corporate expenses are excluded from such measurement.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2020

4. OPERATING SEGMENT INFORMATION (continued)

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

	For the six months ended 30 September 2020			
	Cleaning and related services (Unaudited) HK\$'000	Advertising media business (Unaudited) HK\$'000	Waste treatment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue:				
Service income from external customers	121,950	-	17	121,967
Other income and gains	43	161	-	204
Total	121,993	161	17	122,171
Segment results	2,661	(2,382)	(714)	(435)
Reconciliation:				
Unallocated other income				32,003
Share option expenses				(7,237)
Unallocated expenses				(8,437)
Finance costs				(144)
Profit before income tax				15,750
Income tax expenses				-
Profit for the period				15,750

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2020

4. OPERATING SEGMENT INFORMATION (continued)

	For the six months ended 30 September 2019					Total (Unaudited) HK\$'000
	Cleaning and related services (Unaudited) HK\$'000	Advertising media business (Unaudited) HK\$'000	Medical waste treatment (Unaudited) HK\$'000	Waste treatment (Unaudited) HK\$'000	Hotel business (Unaudited) HK\$'000	
Segment revenue:						
Service income from external customers	167,006	5,043	10,595	108	1,036	183,788
Other income and gains	118	65	183	-	-	366
Total	167,124	5,108	10,778	108	1,036	184,154
Segment results	7,711	(7,531)	6,719	(907)	(129)	5,863
Reconciliation:						
Interest income						120
Gain on bargain purchase						10,941
Share option expenses						(911)
Unallocated expenses						(14,473)
Finance costs						(217)
Profit before income tax						1,323
Income tax expenses						(433)
Profit for the period						890

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2020

5. REVENUE

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

	For the six months ended 30 September	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Cleaning and related service fee income	121,950	167,006
Advertising media related service fee income	-	5,043
Medical waste treatment income	-	10,595
Waste treatment income	17	108
Hotel hospitality income	-	1,036
	121,967	183,788

During the six months ended 30 September 2020, no variable consideration from advertising media business is recognised (six months ended 30 September 2019: HK\$3,544,000).

Disaggregation of revenue from contracts with customers:

Segments	For the six months ended 30 September 2020		
	Cleaning and related services (Unaudited) HK\$'000	Waste treatment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Geographical markets			
Hong Kong	121,950	-	121,950
The People's Republic of China ("PRC")	-	17	17
Total	121,950	17	121,967
Timing of revenue recognition			
Over time	121,950	17	121,967
Total	121,950	17	121,967

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2020

5. REVENUE (continued)*Disaggregation of revenue from contracts with customers: (continued)*

Segments	For the six months ended 30 September 2019					
	Cleaning and related services	Advertising media business	Medical waste treatment	Waste treatment	Hotel business	Total
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Geographical markets						
Hong Kong	167,006	–	–	–	–	167,006
PRC	–	5,043	10,595	108	1,036	16,782
Total	167,006	5,043	10,595	108	1,036	183,788
Timing of revenue recognition						
At a point in time	–	4,092	–	–	–	4,092
Over time	167,006	951	10,595	108	1,036	179,696
Total	167,006	5,043	10,595	108	1,036	183,788

6. OTHER INCOME AND GAINS

	For the six months ended 30 September	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Interest income	143	120
Amortisation of deferred income*	–	151
Management fee received	30	30
Gain on bargain purchase	–	10,941
Government subsidies**	31,860	–
Sundry income	174	185
	32,207	11,427

* 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.

** This mainly represented subsidies receivable by the Group from the Hong Kong Government under the Employment Support Scheme and the One-off Subsidy for Transport Trade under the Anti-epidemic Fund.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2020

7. PROFIT BEFORE INCOME TAX

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

	For the six months ended 30 September	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Cost of services rendered	108,452	155,021
Depreciation of property, plant and equipment	1,299	1,897
Depreciation for right-of-use assets	1,414	3,866
Net gain on disposals of property, plant and equipment	(1)	(15)
Amortisation of intangible assets	–	452
Loss on written off of property, plant and equipment	39	20
Share option expenses	7,237	911
Gain on disposal of a subsidiary	1,223	–

8. FINANCE COSTS

	For the six months ended 30 September	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Leases interest	80	217
Interest on promissory notes	64	–
	144	217

9. INCOME TAX EXPENSES

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

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

Macau Complementary Tax is calculated at a progressive rate from 9% to 12% on the estimated assessable profit for the six months ended 30 September 2020. No provision for Macau Complementary Tax is required as the Company's subsidiary in Macau incurred tax losses for the six months ended 30 September 2020.

Pursuant to the relevant tax law of the Hong Kong Special Administrative Region, Hong Kong profits tax has to be provided at the rate of 16.5% (six months ended 30 September 2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the current interim period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2020

9. INCOME TAX EXPENSES (continued)

Pursuant to the approval of the tax bureau, in accordance with the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), one subsidiary of the Group is subject to the PRC Enterprise Income Tax at a rate of 15% for being engaged in the encouraged industries in a designated area. Other subsidiaries of the Group located in the PRC are subject to the PRC Enterprise Income Tax at a rate of 25% (six months ended 30 September 2019: 25%) on their assessable profits.

	For the six months ended 30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax		
Hong Kong – over-provision in prior year	–	(126)
The PRC	–	366
	–	240
Deferred tax liability	–	193
	–	433

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Basic and diluted earnings per share

The calculation of the basic and diluted earnings per share amounts is based on the profit for the interim period attributable to owners of the Company of approximately HK\$15,961,000 (six months ended 30 September 2019: approximately of HK\$2,574,000), and the weighted average number of ordinary shares of 1,697,017,337 (six months ended 30 September 2019: 1,675,869,796) in issue during the interim period.

The diluted earnings per share is the same as the basic earnings per share for the six months ended 30 September 2020 and 2019 because the Company's share options outstanding during these period were anti-dilutive.

11. INVESTMENT PROPERTY

	2020
	HK\$'000
At 1 April 2020 (Audited)	6,169
Exchange realignment	283
At 30 September 2020 (Unaudited)	6,452

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2020

12. TRADE RECEIVABLES

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

	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
Within 30 days	36,904	21,579
31 to 60 days	631	21,322
61 to 90 days	7,017	4,823
91 to 120 days	1,484	5,205
Over 120 days	648	84
	46,684	53,013

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
Prepayments	2,800	2,444
Deposits	1,693	3,079
Other receivables	26,436	19,644
Amount due from a related company	6,937	7,004
Less: Impairment loss recognised on other receivables	(19,381)	(19,381)
	18,485	12,790

14. PLEDGED TIME DEPOSITS

At the end of the reporting period, the Group's banking facilities were secured by the pledge of certain of the Group's time deposits amounting to approximately HK\$2,071,000 (31 March 2020: HK\$2,066,000), and a property owned by of a related company which is controlled by a director of the Company.

15. TRADE PAYABLES

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

	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
Within 30 days	4,295	4,982
31 to 60 days	4,202	4,175
Over 90 days	571	497
	9,068	9,654

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2020

16. OTHER PAYABLES AND ACCRUALS

	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
Other payables	10,248	10,462
Accrued liabilities (Note)	27,201	28,936
	37,449	39,398

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

17. PROMISSORY NOTES PAYABLE

During the interim period, the Company issued three promissory notes in the aggregate principal sum of HK\$3,000,000, bearing interest at 8% per annum and repayable on 3 June 2021, 29 June 2021 and 8 July 2021, respectively.

18. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Disposal of a subsidiary

On 7 July 2020, the Group completed the disposal of the entire equity interest in Sichuan Chuang Fu Hai Cultural Limited, an indirect wholly owned subsidiary at a consideration of HK\$5,700,000. A gain on disposal of approximately HK\$1,223,000 was recognised during the six months ended 30 September 2020, and is calculated as follows:

	HK\$'000
Net assets/(liabilities) of a subsidiary at the date of disposal were as follows:	
Assets of a disposal group classified as held for sale	16,075
Liabilities directly associated with non-current assets held for sale	(10,625)
Net assets disposed of	5,450
Release of foreign currency translation reserve	(973)
Gain on disposal of subsidiaries	1,223
Total consideration	5,700
Net cash inflow arising on disposal:	
Cash consideration received	5,700
	5,700

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2020

19. DIVIDEND

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

20. SHARE CAPITAL

	As at 30 September 2020 (Unaudited) HK\$'000	As at 31 March 2020 (Audited) HK\$'000
Authorised:		
4,000,000,000 (as at 31 March 2020: 2,000,000,000) ordinary shares of HK\$0.01 each	40,000	20,000
Issued and fully paid:		
1,804,869,796 (as at 31 March 2020: 1,675,869,796) ordinary shares of HK\$0.01 each	18,049	16,759

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

	Number of shares in issue	Issued capital HK\$'000
At 31 March 2020 and 1 April 2020 (Audited)	1,675,869,796	16,759
Issue of shares (Note)	129,000,000	1,290
At 30 September 2020 (Unaudited)	1,804,869,796	18,049

Note: On 17 August 2020 (after trading hours), the Company entered into the Placing Agreement with the ASA Securities Limited ("Placing Agent") pursuant to which the Placing Agent agreed to place as the Company's placing agent on a best effort basis the Placing Shares up to 324,130,204 new Shares at the Placing Price of HK\$0.0882 per Placing 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 1 September 2020 and a total of 129,000,000 Placing Shares have been successfully placed. The premium on the issue of shares, amounting to approximately HK\$9,760,000 (net of direct cost of HK\$329,000), was credited to the Company's share premium account.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2020

21. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances disclosed elsewhere in these Interim Financial Statements, the Group had the following material transactions with related companies, of which certain directors are also directors of the Company, during the period.

	For the six months ended 30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Management fee income from a related company (Note)	30	30
Sales to related companies	17	108

Note: The management fee income from the provision of accounting and administrative services and the sharing of office space and facilities with the Group was received in a lump sum annually with reference to the actual costs incurred.

- (b) Outstanding balance with related parties:

	As at 30 September 2020 (Unaudited) HK\$'000	As at 31 March 2020 (Audited) HK\$'000
Amount due from a related company		
Honest Grand International Ltd	6,937	7,004
Amount due to a related company		
Sky Merit International Ltd	1,055	1,055
Loans from a director		
Within one year	6,102	5,834

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

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

	For the six months ended 30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short-term employee benefits	1,841	1,440
Post-employment benefits	80	50
Equity-settled share option expenses	2,482	-
Total compensation paid to key management personnel	4,403	1,490



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2020

22. 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\$14,672,000 (31 March 2020: HK\$16,362,000) in respect of certain services provided to various customers by the Group.
- (b) During the ordinary course of its business, the Group may from time to time be involved in litigation concerning personal injuries sustained by its employees or third party claimants. The Group maintains insurance cover and, in the opinion of the Directors, based on current evidence, any such existing claims should be adequately covered by the insurance as at 30 September 2020 and 31 March 2020.

23. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the board of directors on 30 November 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

The Group's revenue for the six months ended 30 September 2020 amounted to approximately HK\$121,967,000 (30 September 2019: HK\$183,788,000) represented a 33.6% decrease as compared to the corresponding period in 2019. The profit of the Group for the six months ended 30 September 2020 was approximately HK\$15,750,000 (30 September 2019: HK\$890,000). Cleaning and related services business made a profit of approximately HK\$2,661,000, the advertising media business made a loss of approximately HK\$2,382,000, and the waste treatment business made a loss of approximately HK\$714,000.

Revenue dropped by 33.6% because one of the major clients of the Group, which is in the aviation related business which was badly hit by the COVID-19 pandemic, had its business substantially curtailed due to the decline in international travel, which in turn resulted in a significant decrease in demand for services from our Group.

Other income of approximately HK\$32,207,000 mainly consisted of subsidies receivable by the Group from the Hong Kong Government under the Employment Support Scheme and the One-off Subsidy for Transport Trade under the Anti-epidemic Fund, bank interest income and management fee income (30 September 2019: Other income of approximately HK\$11,427,000 mainly consisted of the gain on bargain purchase).

Other operating expenses, which amounted to approximately HK\$38,407,000 (30 September 2019: HK\$57,949,000), represented a period-to-period 33.7% decrease. Such expenses mainly included the costs of services rendered under cleaning and related service business and wastes treatment business, which accounted for 75% of other operating expenses in the current period. The drop in cost of services rendered was in line with the drop in revenue.

FINANCIAL REVIEW

As at 30 September 2020, the Group's cash and cash equivalents and pledged time deposits were approximately HK\$95,741,000 (31 March 2020: HK\$54,360,000) and its current ratio was 2.9 (31 March 2020: 2.1).

The Group's net assets as of 30 September 2020 were approximately HK\$129,732,000 (31 March 2020: HK\$95,036,000).

As at 30 September 2020, the Group did not have any bank borrowings but the Group had lease liabilities and loans from a Director of approximately HK\$1,427,000 and HK\$6,102,000 respectively (31 March 2020: HK\$1,742,000 and HK\$5,834,000). The Group's shareholders' equity amounted to approximately HK\$129,732,000 as at 30 September 2020 (31 March 2020: HK\$95,036,000).

The Group takes a prudent approach to cash management and risk control. Its revenues, expenses and capital expenditures in relation to cleaning and related services business is transacted in Hong Kong dollars, whereas those of the waste treatment business are transacted in Renminbi ("RMB"). The Group's cash and bank balances are primarily denominated in HK\$, RMB and United States dollars.

As at 30 September 2020, the Group's banking facilities were secured by the pledge of certain of the Group's time deposits amounting to approximately HK\$2,071,000 (31 March 2020: HK\$2,066,000), and a property of a related company which is controlled by a Director of the Company.



BUSINESS REVIEW

Advertising media business

Due to the COVID-19 outbreak, the Group's advertising media business had temporarily ceased to operate and meanwhile, the management will continue to streamline the operation and to adopt stringent cost control measures so as to strengthen the competitiveness of the business.

Cleaning and Related Business

The reporting period was shadowed by the unprecedented adversities brought about by waves of the COVID-19 pandemic, recession and pessimistic economic outlook.

The impact on the economy has been more severe and enduring than estimated at the outset. The outbreak since January 2020 has taken a heavy toll on a wide range of businesses, but in particular on the retail, catering, entertainment, tourism and aviation sectors. The lockdowns and other harsh measures have been credited with the containment of virus spread on the one hand but have also implicated enormous social and economic costs on the other. Indeed, employers had gained short-term breathing room by the Employment Support Scheme rolled out by the Hong Kong Government, yet many of them have still to attempt every way and means to reduce cost in a bid to stay afloat during these tricky times.

Our frontline personnel have to face the public while performing their duties, therefore, we have been supplying them with necessary protective gears, such as face masks, goggles, gloves and sanitizers etc. to protect them from the virus infection. When the public panicked and peaked during February and March 2020 people were stockpiling protective gears and the racks in the stores and in supermarkets were emptied. During such times, we had to search for the procurements overseas in order to satisfy our own needs and sometimes, the needs of our customers too. In some instances, we also granted paid leave to our employees for a virus test, if that would put them at ease, though they had no symptoms. This attracted an extra burden but one thing has been held constant by us: the health and safety at work of our employees is an integral part of our business performance and an absolute pre-requisite which must be upheld with no compromise.

Since the outbreak of COVID-19, the business of one of our major customers, which is in the flight kitchens business in Hong Kong, was severely affected due to the fact that the airline businesses began cutting back on their flights as a result of the country lockdowns globally and the off-the-cliff drop in travel demand. The consequence was that our requirement for providing services to this customer was at the same time much reduced.

As a professional cleaning service provider, we play a major role in safeguarding the hygiene of our customers' properties contracted to us. One of our objectives during this pandemic period is to treat the properties with effective disinfectant for killing viruses and bacteria and curbing the transmission, on top of stepping up the cleaning. These measures will be continued until the pandemic ends.

BUSINESS REVIEW (continued)

Cleaning and Related Business (continued)

On the positive side, the Group was able to obtain, through strong competition, a 3-year contract from a membership club for the provision of cleaning their kitchens, pantries and buffet stations. Needless to say, these areas, which are for food production and sales of food and beverages, call for hygiene of the highest degree. The job, to be carried out only during overnight hours, has been started by teams of our workers with experience in cleaning of catering facilities.

Another contract acquired during the reporting period was for the restoration of marble finishing of 15 townhouses on the peak, wholly-owned by a listed real estate developer.

Contracts of two large-scale housing estates, of which we had been the cleaning contractor for several years, one in Lantau Island and the other in Kowloon Bay, were renewed for a term of three years at revised charges.

Several other contracts, including that for a 28-storey office building in Island East were renewed ranging from one to two years.

Waste Treatment Business

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

PROSPECTS

Cleaning and Related Service

As to when the virus will subside and when Hong Kong will be able to step out of the woes and recession giving rise to a near-term rebound of economy is too early to tell. The hope that the virus would vanish when the weather became hot and humid turned out to be an unrealistic expectation. At the end of the day, the fundamental solution of this health crisis is an effective vaccine that can be ready for distribution.

Given our long and established association with our customers, some of them have already had business with us for years or decades, we are confident to be able to continue our services for them in the spirit of good faith and reciprocity at contract rates adapting to the market climate and to join hands with our customers to tide over these difficult times.

On the other hand, we believe that our standing and professionalism in the integrated cleaning and related services established over the past decades consolidate our strength and help us grow our business when the economy regains its momentum.

Business Prospect and Looking Forward

Looking ahead, the global economic environment remains complicated and volatile. In the light of lingering uncertainties over geopolitics and the COVID-19 outbreak at the beginning of 2020 has interrupted the daily life of all walks of lives around the world. To prevent the spread of the COVID-19 outbreak, many countries have imposed measures to restrict social activities and adopted policies to different extent to control entry into the territory which adversely affected the global economies. However, we believe that rebound of market demand and reactivation of business activities will be seen after the end of the epidemic. The Group will closely monitor market volatility and adjust its business operation appropriately.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend to the shareholders of the Company (the "Shareholders") for the six months ended 30 September 2020 (30 September 2019: Nil).

USE OF THE PLACING PROCEEDS

During the six months ended 30 September 2020, the Group completed the placing of 129,000,000 new shares of the Company under the general mandate. The net proceeds from the placing was approximately HK\$11,050,000 after deduction of the placing commission and other related expenses. Details of which are set out as follows:

Date of Completion	Description of placing activities	Intended use of placing proceeds	Actual use of placing proceeds as at 30 September 2020
26 July 2018	Issued 162,909,090 new shares of the Company under the general mandate. The net proceeds from the placing was approximately HK\$44,198,000.	It mainly covers the Group's business plan, including but not limited to: (i) establishing an operation centre to provide a wider scope of services; (ii) engaging outsourcing business partners to enhance the Group's capacity and service scope; and (iii) the Group's business development, expansion and exploration of business collaboration opportunities.	Fully utilised as intended at 31 March 2020.
1 September 2020	Issued 129,000,000 new shares of the Company under the general mandate. The net proceeds from the placing was approximately HK\$11,050,000.	General working capital of the Group.	Approximately HK\$5,776,000 was used for general working capital. As at 30 September 2020, the unutilised proceeds from placing, approximately HK\$5,274,000 is still allocated for the same intentions.

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

CONTINGENT LIABILITIES

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

- The Group has executed performance guarantees to the extent of an aggregate amount of approximately HK\$14,672,000 (31 March 2020: HK\$16,362,000) in respect of certain services provided to various customers by the Group.
- During the ordinary course of its business, the Group may from time to time be involved in litigation concerning personal injuries sustained by its employees or third party claimants. The Group maintains insurance cover and, in the opinion of the Directors, based on current evidence, any such existing claims should be adequately covered by the insurance as at 30 September 2020 and 31 March 2020.

As at the date of this report, there are no other known material contingent liabilities of the Group not disclosed and there are no legal, administrative or other proceedings pending which would materially affect the Group's financial condition.

EVENT SUBSEQUENT TO THE REPORTING PERIOD

On 4 November 2020, the claim against the Group for legal costs by Brave Venture Limited arising from litigation back in September 2017 was concluded with the court handed down a judgement in which, a sum of HK\$916,167, was finalised. As at the date of this report, the Group has fully settled the whole amount owing pursuant to the judgement order.

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees of the Group as at 30 September 2020 was 1,193 (31 March 2020: 1,354). Total staff costs, including directors' emoluments and net pension contributions, for the reporting period amounted to approximately HK\$89,923,000 (30 September 2019: approximately HK\$129,395,000). The Group provides employees with training programmes to equip them with the latest skills and also provide other benefits including share option scheme (which later defined as the Share Option Scheme).

Remunerations are commensurate with individual job nature, work experience and market conditions, and performance-related bonuses are granted to employees on discretionary basis.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2020.

SHARE OPTIONS

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

The maximum number of shares which may be issued upon exercise of all options which may be granted at any time under this Share Option Scheme together with options which may be granted under any other share option schemes for the time being of the Company shall not exceed 10% of the issued share capital of the Company as at the date of approval of the Share Option Scheme ("Scheme Mandate Limit"). The Scheme Mandate Limit may be refreshed by the shareholders in general meeting in accordance with the rules of the Share Option Scheme.

The Scheme Mandate Limit was refreshed by the Shareholders at the annual general meeting of the Company held on 25 September 2020. 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 167,586,979 shares, representing 10% of a total of 1,675,869,796 shares in issue as at the date of approval of the refreshment of Scheme Mandate Limit. For details, please refer to the circular to the annual general meeting of the Company dated 30 July 2020.

On 1 September 2020, the Group completed the placing of 129,000,000 new shares of the Company and as from 7 October 2020 the total number of shares which the Company may issue under the Share Option Scheme is 180,486,979 shares.



SHARE OPTIONS (continued)

According to the Share Option Scheme, the Board may at its absolute discretion, offer to grant option to any participant as the Board may think fit. The amount payable on acceptance of an option is HK\$1.00. The offer of option shall be accepted by the Participants within 28 days from the date of the offer, otherwise the offer shall be deemed to have been irrevocably declined and lapsed automatically.

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

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

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

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

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

SHARE OPTIONS (continued)

Movements of the share options during the period of the six months ended 30 September 2020 are listed below in accordance with chapter 17 of the Listing Rules:

Categories	As at 1 April 2020	Exercise price per share HK\$	During the period				As at 30 September 2020	Note(s)
			Granted	Lapsed	Exercised/ Cancelled	Reallocation		
Directors								
Mr. Chan Chun Wo	14,462,000	0.278	-	(14,462,000)	-	-	-	(1), (4)
Ms. Chen Ming	1,446,000	0.278	-	-	-	(1,446,000)	-	(1), (3)
Mr. Lo Kou Hong	-	0.094	16,000,000	-	-	-	16,000,000	(5)
Mr. Tsui Kwok Hing	-	0.094	16,000,000	-	-	-	16,000,000	(5)
Mr. Fu Jun	-	0.094	8,000,000	-	-	-	8,000,000	(5)
Mr. Leung Cheung Hang	-	0.094	8,000,000	-	-	-	8,000,000	(5)
Mr. Wang Qi	-	0.094	1,600,000	-	-	-	1,600,000	(5)
Mr. Tsang Chi Hon	-	0.094	1,600,000	-	-	-	1,600,000	(5)
Mr. Wong Hon Kit	-	0.094	1,600,000	-	-	-	1,600,000	(5)
Sub-total	15,908,000	-	52,800,000	(14,462,000)	-	(1,446,000)	52,800,000	
Continuous Contracts Employees	17,273,302	0.278	-	(4,000,000)	-	-	13,273,302	(2)
	-	0.094	108,000,000	-	-	-	108,000,000	(5)
All other eligible participants	-	0.278	-	-	-	1,446,000	1,446,000	(3)
Sub-total	17,273,302	-	108,000,000	(4,000,000)	-	1,446,000	122,719,302	
Total	33,181,302	-	160,800,000	(18,462,000)	-	-	175,519,302	

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\$0.278.
- (2) The share options were granted and deemed to be accepted on 6 July 2018 and are exercisable at any time during the period from 6 July 2019 to 5 July 2028 (both days inclusive) and the exercise price is HK\$0.278.
- (3) Ms. Chen Ming ("Ms. Chen") resigned on 31 October 2019 and her share options shall be lapsed at the expiration of one month from the date of cessation in accordance with the Share Option Scheme. However, the Board considered her valuable contribution during her tenure of service and offer Ms. Chen to extend the share options exercise period for five years from the date of cessation (i.e. 30 November 2019) to 29 November 2024, with exercise price of HK\$0.278 remain unchanged. As she was no longer a Director, she was reallocated to the category "All other eligible participants".
- (4) Mr. Chan Chun Wo was removed on 27 April 2020 and his share options lapsed on 27 May 2020.
- (5) The share options were granted and deemed to be accepted on 23 July 2020 and are exercisable at any time during the period from 23 July 2020 to 22 July 2030 (both days inclusive) and the exercise price is HK\$0.094.

As at the date of this report, 175,519,302 share options were outstanding under the Share Option Scheme, which were fully vested and exercisable.

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

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

A.(1) INTERESTS IN SHARES OF THE COMPANY

Name of Director	Long/short positions	Capacity	Total interest in ordinary shares	Total interest in underlying shares	Aggregate interests	Approximate percentage* of the Company's issued share capital
Mr. Lo Kou Hong ("Mr. Lo") (Note 1)	Long	Beneficial owner	53,674,000	16,000,000	71,779,000	3.98%
	Long	Interest of spouse	2,105,000			
Mr. Wang Qi ("Mr. Wang") (Note 4)	Long	Beneficial owner	1,367,000	1,600,000	2,967,000	0.16%
Mr. Tsui Kwok Hing ("Mr. Tsui") (Note 2)	Long	Beneficial owner	69,190,090	16,000,000	164,871,130	9.13%
	Long	Interest of spouse	79,681,040			
Mr. Fu Jun ("Mr. Fu") (Note 3)	Long	Beneficial owner	-	8,000,000	8,000,000	0.44%
Mr. Leung Cheong Hang ("Mr. Leung") (Note 3)	Long	Beneficial owner	-	8,000,000	8,000,000	0.44%
Mr. Tsang Chi Hon ("Mr. Tsang") (Note 4)	Long	Beneficial owner	-	1,600,000	1,600,000	0.09%
Mr. Wong Hon Kit ("Mr. Wong") (Note 4)	Long	Beneficial owner	-	1,600,000	1,600,000	0.09%

* for identification purpose only

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

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

Notes:

- (1) Mr. Lo is the beneficial owner of 53,674,000 ordinary shares and 16,000,000 share options. He is also 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 is the beneficial owner of 69,190,090 ordinary shares and 16,000,000 share options. He is also 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.
 - (3) Each of Mr. Fu and Mr. Leung is interested in share options which can be severally exercised to subscribe 8,000,000 ordinary shares.
 - (4) Each of Mr. Wang, Mr. Tsang and Mr. Wong is interested in share options which can be severally exercised to subscribe 1,600,000 ordinary shares.
 - (5) On 6 July 2018, share options were granted by the Company under its Share Option Scheme, which was adopted on 25 September 2015 and will be valid until 24 September 2025, to its eligible participants. These share options, all of which remained outstanding as at 30 September 2020, are exercisable at a price of HK\$0.278 per share during the exercise periods. Details of these share options are disclosed in the paragraph headed "Share Options" on pages 24 to 26 of this Interim Report.
 - (6) On 23 July 2020, share options were granted by the Company under its Share Option Scheme, which was adopted on 25 September 2015 and will be valid until 24 September 2025, to its eligible participants. These share options, all of which remained outstanding as at 30 September 2020, are exercisable at a price of HK\$0.094 per share during the exercise periods. Details of these share options are disclosed in the paragraph headed "Share Options" on pages 24 to 26 of this Interim Report.
- * The percentage is calculated based on the total number of issued shares of the Company as at 30 September 2020, which was 1,804,869,796 ordinary shares.

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

Name of Director	Long/short positions	Capacity	Number of ordinary shares in Peixin	Percentage* of Peixin's issued share capital
Mr. Lo Kou Hong	Long	Interest held by controlled corporations	42 shares <i>(Note)</i>	30%

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

* The percentage represents the number of ordinary shares interested divided by the number of Peixin's issued shares as at 30 September 2020.

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

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

Name of Director	Long/short positions	Capacity	Amount of registered capital in Shuyang ITAD	Percentage* of Shuyang ITAD's registered capital
Mr. Lo Kou Hong	Long	Interest held by controlled corporation	RMB62,500,000 <i>(Note)</i>	30%

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

* The percentage represents the amount of registered capital interested divided by the total amount of Shuyang ITAD's registered capital as at 30 September 2020.

In addition to the above, as at 30 September 2020, Mr. Lo Kou Hong held one share in a subsidiary of the Company in a non-beneficial capacity, solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, as at 30 September 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 period ended 30 September 2020.

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

As at 30 September 2020, the following persons (other than the Directors and chief executive of the Company) had interests of 5% or more in the issued shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

(1) INTERESTS IN SHARES OF THE COMPANY

Name of substantial shareholder	Long/short positions	Capacity	Number of ordinary shares	Percentage* of the Company's issued share capital
Symphony Investments Holdings Limited	Long	Beneficial owner	204,042,000 <i>Note (1)</i>	11.30%
Zheng Xiandeng	Long	Beneficial owner	214,681,040	11.89%
WKI Partners (Holdings) Limited	Long	Interest held by controlled corporation	179,315,000 <i>Note (2)</i>	9.94%

Notes:

- (1) Symphony Investments Holdings Limited is wholly owned by Ms. Chen Ming. Accordingly, Ms. Chen Ming is deemed to be interested in such shares under Part XV of the SFO.
 - (2) WKI Partners (Holdings) Limited is wholly owned by Brave Venture Limited. Brave Venture Limited is wholly owned by WKI Hong Kong Limited. WKI Hong Kong Limited is wholly owned by WKI GP Limited. Accordingly, each of WKI Partners (Holdings) Limited, Brave Venture Limited, WKI Hong Kong Limited, WKI GP Limited was deemed to be interested in such shares under Part XV of SFO.
- * The percentage is calculated based on the total number of shares of the Company as at 30 September 2020, which was 1,804,869,796 ordinary shares.



CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PRACTICES

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

Corporate governance practices would be reviewed from time to time to ensure compliance with the regulatory requirements and to meet the rising expectations of Shareholders and investors relating to transparency and accountability.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE OF THE LISTING RULES

During the six months ended 30 September 2020, the Directors consider that the Company has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the reporting period, save for the deviation as set out below:

CG Codes provision A.2.1 stipulates that the role of chairman and chief executive should be separate and should not be performed by the same person. As at 1 April 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. On 14 August 2020, Mr. Fu Jun, an executive Director of the Company, was appointed as the Chief Executive Officer of the Company.

To the knowledge of the Board, the Company had fully complied with the code provisions in the CG Code from 14 August 2020 after the appointment of Mr. Fu Jun as the Chief Executive Officer of the Company.

CHANGE IN DIRECTOR'S INFORMATION

Change in the information of the Directors that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2019/2020 annual report of the Company is that Mr. Fu Jun, an executive Director of the Company, has been appointed as the Chief Executive Officer of the Company on 14 August 2020.

AUDIT COMMITTEE

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

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2020 have been reviewed by the Audit Committee, which was of the opinion that such financial statements complied with the applicable accounting standards and that adequate disclosures have been made.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct governing Directors' dealings in the Company's securities (the "Own Code") on terms no less exacting than the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. Specific enquiry has been made to all Directors and all of them have confirmed that they have complied with the Own Code and the Model Code throughout the six months ended 30 September 2020.

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

On behalf of the Board
Xinhua News Media Holdings Limited
Tsui Kwok Hing
Executive Director

Hong Kong, 30 November 2020