

XINHUA
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XINHUA NEWS MEDIA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 309

INTERIM REPORT

2021 / 2022



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Lo Kou Hong (*Chairman*)
Tsui Kwok Hing (*Co-chairman*)
Fu Jun (*Chief Executive Officer*)
Leung Cheung Hang

Non-executive Directors

Wang Chunping
Wang Guan

Independent Non-executive Directors

Wang Qi
Yau Pak Yue
Leung Nga Tat

AUDIT COMMITTEE

Yau Pak Yue (*Chairman*)
Wang Qi
Leung Nga Tat

REMUNERATION COMMITTEE

Yau Pak Yue (*Chairman*)
Wang Qi
Leung Nga Tat

NOMINATION COMMITTEE

Tsui Kwok Hing (*Chairman*)
Leung Cheung Hang
Wang Qi
Yau Pak Yue
Leung Nga Tat

STRATEGY AND DEVELOPMENT COMMITTEE

Tsui Kwok Hing (*Chairman*)
Fu Jun
Yau Pak Yue

EXECUTIVE COMMITTEE

Tsui Kwok Hing (*Chairman*)
Fu Jun
Yau Pak Yue
Leung Nga Tat

CORPORATE GOVERNANCE COMMITTEE

Tsui Kwok Hing (*Chairman*)
Yau Pak Yue
Leung Nga Tat

COMPANY SECRETARY

Chan Yuen Ying Stella

AUTHORISED REPRESENTATIVES

Tsui Kwok Hing
Chan Yuen Ying Stella

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

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3
Building D
P. O. Box 1586
Gardenia Court
Camana Bay
Grand Cayman
KY1-1100
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
Industrial and Commercial Bank of China

SOLICITOR

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 2021. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the audit committee of the Company (the "Audit Committee").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2021

	Notes	For the six months ended 30 September 2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
REVENUE	5	135,390	121,967
Other income and gains	6	813	32,207
Other losses	7	(528)	–
Staff costs		(92,387)	(89,923)
Depreciation and amortisation	7	(2,712)	(2,713)
Loss on fair value changes at financial assets at fair value through profit or loss		(458)	–
Other operating expenses		(45,420)	(38,407)
Finance costs	8	(250)	(144)
Share option expenses	7	–	(7,237)
(LOSS)/PROFIT BEFORE INCOME TAX	7	(5,552)	15,750
Income tax credit	9	120	–
(LOSS)/PROFIT FOR THE PERIOD		(5,432)	15,750
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations:			
Exchange differences arising during the period		361	1,632
Exchange difference reclassified to profit or loss upon disposal of a subsidiary		–	(973)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		(5,071)	16,409
(LOSS)/PROFIT FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		(5,189)	15,961
Non-controlling interests		(243)	(211)
		(5,432)	15,750
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		(4,893)	16,646
Non-controlling interests		(178)	(237)
		(5,071)	16,409
(LOSS)/EARNING PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY	10	(HK\$0.0029)	HK\$0.0094
–Basic and diluted			

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

	Notes	30 September 2021 (Unaudited) HK\$'000	31 March 2021 (Audited) HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	12,147	12,817
Investment properties	12	4,332	6,390
Financial assets at fair value through profit or loss		15,956	7,804
Right-of-use assets		10,704	4,160
Deferred tax assets		753	610
Total non-current assets		43,892	31,781
Current assets			
Inventories		103	149
Trade receivables	13	42,646	40,169
Prepayments, deposits and other receivables	14	17,570	15,015
Amount due from a director	21(b)	60	60
Current tax assets		176	184
Structured deposits		–	7,000
Pledged time deposits	15	2,074	2,073
Cash and cash equivalents		92,097	93,953
		154,726	158,603
Non-current assets classified as held for sale		6,833	5,200
Total current assets		161,559	163,803
Total assets		205,451	195,584
LIABILITIES			
Current liabilities			
Trade payables	16	12,495	9,358
Other payables and accrued liabilities	17	37,877	35,993
Promissory notes payable	18	3,000	3,000
Amount due to a related company	21(b)	1,055	1,055
Lease liabilities		3,083	2,521
Loans from directors	21(b)	9,620	6,369
Total current liabilities		67,130	58,296

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 September 2021

		30 September 2021 (Unaudited) HK\$'000	31 March 2021 (Audited) HK\$'000
	<i>Notes</i>		
Net current assets		94,429	105,507
Total assets less current liabilities		138,321	137,288
Non-current liabilities			
Lease liabilities		8,062	1,958
Total non-current liabilities		8,062	1,958
NET ASSETS		130,259	135,330
EQUITY			
Equity attributable to owners of the Company			
Share capital	20	18,049	18,049
Reserves		112,107	117,000
		130,156	135,049
Non-controlling interests		103	281
TOTAL EQUITY		130,259	135,330

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2021

	Attributable to owners of the Company										
	Share capital	* Share premium	* Capital redemption reserve	* Merger reserve	* Share option reserve	* Contributed surplus	* Accumulated losses	* Exchange fluctuation reserve	Sub-total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 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 income/(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
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
At 1 April 2021 (Audited)	18,049	557,157	254	47,063	9,470	26,591	(532,917)	9,382	135,049	281	135,330
Loss for the period (Unaudited)	-	-	-	-	-	-	(5,189)	-	(5,189)	(243)	(5,432)
Other comprehensive income for the period (Unaudited)	-	-	-	-	-	-	-	296	296	65	361
Total comprehensive (loss)/income for the period (Unaudited)	-	-	-	-	-	-	(5,189)	296	(4,893)	(178)	(5,071)
Lapsed share options (Unaudited)	-	-	-	-	(2,061)	-	2,061	-	-	-	-
At 30 September 2021 (Unaudited)	18,049	557,157	254	47,063	7,409	26,591	(536,045)	9,678	130,156	103	130,259

* The reserve accounts comprise the consolidated reserves of approximately HK\$112,107,000 (31 March 2021: HK\$117,000,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2021

	For the six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash flows (used in)/generated from operating activities	(3,610)	23,717
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through profit or loss	(13,000)	–
Proceeds from disposal of an investment property	1,619	–
Decrease in structured deposits	7,000	–
Redemption of financial assets at fair value through profit or loss	4,390	–
Proceeds from disposals of a subsidiary	–	5,700
Other investing cash flows	(323)	(788)
Net cash flows (used in)/generated from investing activities	(314)	4,912
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuing promissory notes	–	3,000
Proceeds from placing of new shares	–	11,050
Other financing cash flows	1,755	(1,426)
Net cash flows generated from financing activities	1,755	12,624
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(2,169)	41,253
Cash and cash equivalents at the beginning of period	93,953	52,294
Effect of exchange rate changes on the balance of cash held in foreign currencies	313	123
Cash and cash equivalents at end of period	92,097	93,670
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	33,940	39,550
Non-pledged time deposits with original maturity of less than three months when acquired	58,157	54,120
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	92,097	93,670

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2021

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, Hunghom, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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 of the Group for the six months ended 30 September 2021 ("Interim Financial Statements") 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 (the "Listing Rules").

The Interim Financial Statements do not include all the information and disclosures as required by a full set of financial statements, and should be read in conjunction with the Group's 2021 annual consolidated financial statements for the year ended 31 March 2021 ("2021 Annual Report"). The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in 2021 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 period beginning on 1 April 2021. 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 condensed consolidated 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 2021

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; and
- (c) 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)/profit before income tax. The adjusted (loss)/profit before income tax is measured consistently with the Group's (loss)/profit before income tax except that interest income, government subsidies, dividend income on financial assets at fair value through profit or loss, 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 2021

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 2021			
	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	135,390	-	-	135,390
Other income and gains	37	197	-	234
Total	135,427	197	-	135,624
Segment results	1,985	(1,766)	(809)	(590)
Reconciliation:				
Unallocated other income				458
Interest income				121
Unallocated expenses				(5,291)
Finance costs				(250)
Loss before income tax				(5,552)
Income tax credit				120
Loss for the period				(5,432)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2021

4. OPERATING SEGMENT INFORMATION (continued)

	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 2021

5. REVENUE

The 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	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Cleaning and related service fee income	135,390	121,950
Waste treatment income	-	17
	135,390	121,967

Disaggregation of revenue from contracts with customers:

Segments	For the six months ended 30 September 2021	
	Cleaning and related services (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Geographical market		
Hong Kong	135,390	135,390
Total	135,390	135,390
Timing of revenue recognition		
Over time	135,390	135,390
Total	135,390	135,390

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2021

5. REVENUE (continued)

Disaggregation of revenue from contracts with customers: (continued)

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

6. OTHER INCOME AND GAINS

	For the six months ended 30 September	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Interest income	121	143
Management fee received	30	30
Government subsidies (<i>Note</i>)	230	31,860
Dividend income on financial assets at fair value through profit or loss	228	–
Net gain on disposals of property, plant and equipment	118	–
Sundry income	86	174
	813	32,207

Note: 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 2021

7. (LOSS)/PROFIT BEFORE INCOME TAX

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

	For the six months ended 30 September	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Cost of services rendered*	122,743	108,452
Depreciation of property, plant and equipment	1,332	1,299
Depreciation for right-of-use assets	1,380	1,414
Net gain on disposals of property, plant and equipment	(118)	(1)
Loss on written off of property, plant and equipment	1	39
Fair value loss on an investment property	528	-
Share option expenses	-	7,237
Gain on disposal of a subsidiary	-	1,223

* The cost of services rendered includes employee benefit expenses of approximately HK\$82,926,000 (six months ended 30 September 2020: HK\$79,611,000) incurred in the provision of services which has been included in the employee benefit expenses above.

8. FINANCE COSTS

	For the six months ended 30 September	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Leases interest	130	80
Interest on promissory notes	120	64
	250	144

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2021

9. INCOME TAX CREDIT

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 2021. 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 2021.

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 2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the current interim period.

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 2020: 25%) on their assessable profits.

	For the six months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax		
Hong Kong – over-provision in prior year	9	–
The PRC	3	–
	12	–
Deferred tax	(132)	–
	(120)	–

10. (LOSS)/EARNING PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Basic and diluted (loss)/earning per share

The calculation of the basic and diluted (loss)/earning per share amounts is based on the loss for the interim period attributable to owners of the Company of approximately HK\$5,189,000 (six months ended 30 September 2020: profit for the period attributable to owners of the Company of approximately HK\$15,961,000), and the weighted average number of ordinary shares of 1,804,869,796 (six months ended 30 September 2020: 1,697,017,337) in issue during the interim period.

The diluted (loss)/earning per share is the same as the basic (loss)/earning per share for the six months ended 30 September 2021 and 2020 because the Company's share options outstanding during these periods were anti-dilutive.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2021

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2021, the Group acquired items of property, plant and equipment with a cost of approximately HK\$735,000 (30 September 2020: HK\$927,000). Items of property, plant and equipment with carrying amount of approximately HK\$175,000 were written off and disposal during the six months ended 30 September 2021 (30 September 2020: HK\$39,000), resulting in a net gain on written off and disposal of property, plant and equipment of approximately HK\$117,000 (30 September 2020: net loss on written off and disposal of property, plant and equipment of approximately HK\$38,000).

12. INVESTMENT PROPERTIES

	30 September 2021 (Unaudited) HK\$'000	31 March 2021 (Audited) HK\$'000
At the beginning of the period/year	6,390	6,169
Fair value loss on investment properties	(528)	(331)
Transfer to non-current assets classified as held for sale	(1,619)	–
Exchange realignment	89	552
At the end of the period/year	4,332	6,390

13. 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 2021 (Unaudited) HK\$'000	31 March 2021 (Audited) HK\$'000
Within 30 days	21,904	19,735
31 to 60 days	16,229	15,706
61 to 90 days	4,475	4,671
91 to 120 days	38	–
Over 120 days	–	57
	42,646	40,169

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2021

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 September 2021 (Unaudited) HK\$'000	31 March 2021 (Audited) HK\$'000
Prepayments	3,951	2,371
Deposits	4,290	3,063
Other receivables	21,868	22,093
Amount due from a related company	6,842	6,869
Less: Impairment loss recognised on other receivables	(19,381)	(19,381)
	17,570	15,015

15. 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\$2,074,000 (31 March 2021: HK\$2,073,000), and a property owned by of a related company which is controlled by a director of the Company.

16. TRADE PAYABLES

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

	30 September 2021 (Unaudited) HK\$'000	31 March 2021 (Audited) HK\$'000
Within 30 days	6,502	4,594
31 to 60 days	5,456	4,236
Over 90 days	537	528
	12,495	9,358

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2021

17. OTHER PAYABLES AND ACCRUALS

	30 September 2021 (Unaudited) HK\$'000	31 March 2021 (Audited) HK\$'000
Other payables	10,140	9,872
Consideration received from disposal of an investment property	1,634	–
Accrued liabilities (Note)	26,103	26,121
	37,877	35,993

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

18. PROMISSORY NOTES PAYABLE

During the year ended 31 March 2021, 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. During the period, the repayment dates of these promissory notes have been extended to 3 January 2022, 29 December 2021 and 8 January 2022, respectively.

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 2021 (Unaudited) HK\$'000	As at 31 March 2021 (Audited) HK\$'000
Authorised:		
2,000,000,000 ordinary shares of HK\$0.01 each	20,000	20,000
Issued and fully paid:		
1,804,869,796 ordinary shares of HK\$0.01 each	18,049	18,049

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2021

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, during the period.

	For the six months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Management fee income from a related company (Note)	30	30
Sales to a related company	-	17

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	As at
	30 September	31 March
	2021	2021
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Amount due from a related company		
Honest Grand International Limited	6,842	6,869
Amount due to a related company		
Sky Merit International Ltd	1,055	1,055
Loans from directors		
Within one year	9,620	6,369
Amount due from a director	60	60

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

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

	For the six months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short-term employee benefits	1,651	1,841
Post-employment benefits	80	80
Share option expenses	-	2,482
Total compensation paid to key management personnel	1,731	4,403

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2021

22. 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 30 September 2021:

Description	Fair value measurement using:			Total
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	As at 30 September 2021 HK\$'000 (Unaudited)
Recurring fair value measurements:				
Financial assets at fair value through profit or loss	-	15,956	-	15,956
Investment properties Residential - PRC	-	-	4,332	4,332
	-	15,956	4,332	20,288

Disclosures of level in fair value hierarchy at 31 March 2021:

Description	Fair value measurement using:			Total
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	As at 31 March 2021 HK\$'000 (Audited)
Recurring fair value measurements:				
Financial assets at fair value through profit or loss	-	7,804	-	7,804
Structured deposits	-	7,000	-	7,000
Investment properties Residential - PRC	-	-	6,390	6,390
	-	14,804	6,390	21,194

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2021

22. FAIR VALUE MEASUREMENTS (continued)

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

	Investment properties As at 30 September 2021 HK\$'000 (Unaudited)	Total As at 30 September 2021 HK\$'000 (Unaudited)
At 1 April 2021	6,390	6,390
Fair value loss on investment properties#	(528)	(528)
Transfer to non-current assets classified as held for sales	(1,619)	(1,619)
Exchange realignment	89	89
At 30 September 2021	4,332	4,332
# Include losses for assets held at end of reporting period	(528)	(528)

	Investment properties As at 31 March 2021 HK\$'000 (Audited)	Total As at 31 March 2021 HK\$'000 (Audited)
At 1 April 2020	6,169	6,169
Fair value loss on investment properties#	(331)	(331)
Exchange realignment	552	552
At 31 March 2021	6,390	6,390
# Include losses for assets held at end of reporting period	(331)	(331)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2021

22. 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.

Level 2 fair value measurements

Description	Valuation technique	Inputs	Fair value As at 30 September 2021 HK\$'000 (Unaudited)
Financial assets at fair value through profit or loss	Market approach	Quoted prices	15,956

Description	Valuation technique	Inputs	Fair value As at 31 March 2021 HK\$'000 (Audited)
Financial assets at fair value through profit or loss	Market approach	Quoted prices	7,804
Structured deposits	Income approach	Expected rate of return	7,000

For the six months ended 30 September 2021 and year ended 31 March 2021, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or not of Level 3 for both financial assets and financial liabilities.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2021

22. FAIR VALUE MEASUREMENTS (continued)*Level 3 fair value measurements*

Description	Valuation technique	Unobservable inputs	Effect on fair value for increase of inputs	Fair value As at 30 September 2021 HK\$'000 (Unaudited)
Investment properties				
House Nos. 105 and 110 of House Zone 2, Emerald City Project, Sun Hang Kai, No. 1 Tuanshan Road, Jiangyang District, Luzhou City, Sichuan Province, the PRC	Direct Comparison	Comparable Evidence RMB4,500 per square metre	Increase	4,332

Description	Valuation technique	Unobservable inputs	Effect on Fair value for increase of inputs	Fair value As at 31 March 2021 HK\$'000 (Audited)
Investment properties				
House Nos. 103, 105 and 110 of House Zone 2, Emerald City Project, Sun Hang Kai, No. 1 Tuanshan Road, Jiangyang District, Luzhou City, Sichuan Province, the PRC	Direct Comparison	Comparable Evidence RMB4,500 per square metre	Increase	6,390

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2021

23. 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\$11,709,000 (31 March 2021: HK\$15,440,000) in respect of certain services provided to various customers. HK\$7,079,000 (31 March 2021: HK\$1,997,000) has been withdrawn before the date of this report.
- (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 2021 and 31 March 2021.

24. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the board of directors on 26 November 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

The Group's revenue for the six months ended 30 September 2021 amounted to approximately HK\$135,390,000 (30 September 2020: HK\$121,967,000) represented a 11.0% increase as compared to the corresponding period in 2020. The loss of the owners of the Group for the six months ended 30 September 2021 was approximately HK\$5,189,000 (30 September 2020: profit of approximately HK\$15,961,000). Cleaning and related services business made a profit of approximately HK\$1,985,000, the advertising media business made a loss of approximately HK\$1,766,000, and the waste treatment business made a loss of approximately HK\$809,000.

Revenue increased by 11.0% mainly because revenue for the previous period was significantly reduced due to the fact that one of the Group's major clients, which is in the aviation related business, had its business substantially curtailed due to restriction in international travel and therefore resulted in significant decrease in demand for services from our Group, whereas in the current period, the Group was successful in obtaining new businesses for the provision of cleaning and pest control services for one of the major air-cargo suppliers located in Lantau Island and a residential estate also located in Lantau Island.

Other operating expenses, which amounted to approximately HK\$45,420,000 (30 September 2020: HK\$38,407,000), represented a period-to-period 18.3% increase. Such expenses mainly included the costs of services rendered under cleaning and related services business, which accounted for 95.3% of other operating expenses in the current period. The increase in cost of services rendered was in line with the increase in revenue.

FINANCIAL REVIEW

As at 30 September 2021, the Group's cash and cash equivalents and pledged time deposits were approximately HK\$94,171,000 (31 March 2021: HK\$96,026,000) and its current ratio was 2.4 (31 March 2021: 2.8).

The Group's net assets as at 30 September 2021 were approximately HK\$130,259,000 (31 March 2021: HK\$135,330,000).

As at 30 September 2021, the Group did not have any bank borrowings but the Group had lease liabilities and loans from directors of approximately HK\$11,145,000 and HK\$9,620,000 respectively (31 March 2021: HK\$4,479,000 and HK\$6,369,000). The Group's shareholders' equity amounted to approximately HK\$130,156,000 as at 30 September 2021 (31 March 2021: HK\$135,049,000).

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 are transacted in Hong Kong dollars, whereas those of the advertising media and waste treatment businesses 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 2021, the Group's banking facilities were secured by the pledge of certain of the Group's time deposits amounting to approximately HK\$2,074,000 (31 March 2021: HK\$2,073,000), and a property of a related company which is controlled by a director of the Company.

BUSINESS REVIEW

The Group is principally engaged in three business segments: (i) advertising media business; (ii) cleaning and related services business; and (iii) waste treatment business. During the six months ended 30 September 2021, the impact brought by COVID-19 remains severe, the Group's business was inevitably being affected to a certain extent.

Advertising Media Business

Due to COVID-19 outbreak, the Group's advertising media business had ceased since the second quarter of 2020 to minimise the loss brought by tightened public health measures and sanitation controls. 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 Services Business

The cleaning and related services business continued to face various challenges, such as labour shortage, during the reporting period. However, our appetite to grow the business remains intact. We succeeded in securing a two-year contract for the provision of cleaning and pest control services for one of the major air cargo suppliers in Lantau Island. This contract signified our strength in the flexibility of manpower deployment and high degree of adherence to the customer's stringent safety requirements.

We have also secured a three-year contract for the provision of overnight cleaning services to kitchens and pantries for one of Hong Kong's most established clubs in Happy Valley. Our success in obtaining this contract will no doubt bolster our future roadmap in obtaining more such cleaning contracts in the catering industry in the future.

A three-year cleaning contract for a top-notch commercial building in Central has been renewed amid severe competition. We will also be providing pest control service for the first time under the new contract.

In respect of providing cleaning and related services to residential buildings, we have succeeded in securing a two-year contract for a luxurious residential property in North Point and renewing a two-year contract for a prestigious residential estate in South Island.

While Hong Kong and indeed the world continue to be affected by the social and economic effects of the pandemic, we gained ground in attracting some COVID-19 related business, including providing disinfection services to commercial, residential and retail properties. Clients were eager to maintain opening their businesses in a safe environment amidst the adverse impact of the pandemic. Consequently, we are highly sought after to provide them with skilled labour and efficient cleaning and disinfection work.

The freezing of the Statutory Minimum Wage, a first since its implementation in 2011, announced by the HKSAR Government in February 2021, did shoulder some burdens from the industry. We see signs that Hong Kong's economy is recovering as business environment gradually becomes more favourable and that it will maintain its momentum. We are confident that business will soon be getting back to normal in the latter part of 2021 and beyond.

Waste Treatment Business

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

PROSPECTS

Advertising Media Business

The global pandemic remains uncertain and brought a negative impact on overall market sentiment. The resumption of the advertising media business segment is temporarily unforeseeable. While adapting to the pandemic and identifying new opportunities ahead, the Group will continue to implement its business plan in a prudent manner as and when appropriate.

Cleaning and Related Services Business

The pandemic has a notable impact on everyone and our business is of no exception. While the demand for cleaning services has witnessed an unusual surge, on the other hand, expenses such as provision of equipment, sanitizers and application apparatuses increased significantly in the past year. This led to a slimming of our profit margin in some of our cleaning contracts.

While the requirement for cleaning and related services will continue to be needed across all sectors, customers are also price conscious. As a result, we need to work hard on our pricing strategies when tendering for such business. Labour shortage is another headache for the cleaning industry because the supply of labour in the labour market is squeezed as the catering industry starts to recover after a period of stillness in business. Our Group will ensure that our customers continue to receive our most attentive and highest quality of service.

Business Prospect and Looking Forward

There is still a high degree of uncertainty about the pandemic, and the outlook for the global economic recovery is still slow. Looking forward, the management will continue to closely monitor the development of COVID-19 and will take all necessary and appropriate measures to reduce the impact of COVID-19 to the Group. The management will continue to stay cautious to economic changes and fine tune the Group's development and operation strategies. At the same time, the management will continue seizing business opportunities in a prudent but proactive manner aiming to create value for the shareholders of the Group.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend to the shareholders of the Company (the "Shareholders") for the six months ended 30 September 2021 (30 September 2020: Nil).

CONTINGENT LIABILITIES

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

- (a) The Group has executed performance guarantees to the extent of an aggregate amount of approximately HK\$11,709,000 (31 March 2021: HK\$15,444,000) in respect of certain services provided to various customers. HK\$7,079,000 (31 March 2021: HK\$1,997,000) has been withdrawn before the date of this report.
- (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 2021 and 31 March 2021.

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

There have been no significant events occurring after the end of the reporting period and up to the date of this report.

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees of the Group as at 30 September 2021 was 1,095 (31 March 2021: 1,086). Total staff costs, including directors' emoluments and net pension contributions, for the reporting period amounted to approximately HK\$92,387,000 (30 September 2020: approximately HK\$89,923,000). The Group provides employees with training programmes to equip them with the latest skills and also provide other benefits including share option scheme.

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2021.

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.

Pursuant to the Share Option Scheme, the Board may at its discretion offer options to any eligible participants including, but not limited 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.

SHARE OPTIONS (continued)

Details of movements in the share options for the six months ended 30 September 2021 are as follows:

Name or Category of participants	Exercise price per share HK\$	As at 1 April 2021	During the period				As at 30 September 2021	Notes
			Granted	Lapsed	Reallocation	Exercised/ Cancelled		
Directors								
Mr. Lo Kou Hong	0.094	16,000,000	-	-	-	-	16,000,000	(1)
Mr. Tsui Kwok Hing	0.094	16,000,000	-	-	-	-	16,000,000	(1)
Mr. Fu Jun	0.094	8,000,000	-	-	-	-	8,000,000	(1)
Mr. Leung Cheung Hang	0.094	8,000,000	-	-	-	-	8,000,000	(1)
Mr. Wang Qi	0.094	1,600,000	-	-	-	-	1,600,000	(1)
Sub-total	-	49,600,000	-	-	-	-	49,600,000	
Continuous Contracts Employees								
	0.278	11,930,302	-	(1,900,000)	(1,344,000)	-	8,686,302	(2)
	0.094	77,900,000	-	(15,450,000)	(22,250,000)	-	40,200,000	(1)
Sub-total		89,830,302	-	(17,350,000)	(23,594,000)	-	48,886,302	
All other eligible participants								
	0.278	2,446,000	-	-	1,344,000	-	3,790,000	(2)
	0.094	32,200,000	-	(24,950,000)	22,250,000	-	29,500,000	(3)
Sub-total		34,646,000		(24,950,000)	23,594,000	-	33,290,000	
Total		174,076,302		(42,300,000)	-	-	131,776,302	

Notes:

- (1) The share options were granted and deemed to be accepted on 23 July 2020. There were no vesting period and the share options 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.
- (2) The share options were granted and deemed to be accepted on 6 July 2018. The vesting period of the share option was from the date of grant and up to 5 July 2019 and the share options 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) These include 3,200,000 share options granted by the Company to Mr. Tsang Chi Hon and Mr. Wong Hon Kit, the former independent non-executive directors of the Company who resigned on 15 July 2021 and 31 August 2021 respectively, which have been reallocated from the category of Directors to all other eligible participants. Pursuant to the terms of the Share Option Scheme, their share options should be lapsed at the expiration of one month from the date of cessation to be the employees of the Company.

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

As at 30 September 2021, 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. INTERESTS IN SHARES OF THE COMPANY

Name of Directors	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. Tsui Kwok Hing ("Mr. Tsui") (Note 1)	Long position	Beneficial owner	69,190,090	16,000,000	164,871,130	9.13%
	Long position	Interest of spouse	79,681,040			
Mr. Lo Kou Hong ("Mr. Lo") (Note 2)	Long position	Beneficial owner	53,674,000	16,000,000	71,779,000	3.98%
	Long position	Interest of spouse	2,105,000			
Mr. Fu Jun ("Mr. Fu") (Note 3)	Long position	Beneficial owner	-	8,000,000	8,000,000	0.44%
Mr. Leung Cheung Hang ("Mr. Leung") (Note 3)	Long position	Beneficial owner	-	8,000,000	8,000,000	0.44%
Mr. Wang Qi ("Mr. Wang") (Note 4)	Long position	Beneficial owner	1,367,000	1,600,000	2,967,000	0.16%

Notes:

- (1) Mr. Tsui is the beneficial owner of 69,190,090 ordinary shares (the "Shares") and 16,000,000 share options. He is also deemed to be interested in 79,681,040 Shares through interest of his spouse, Ms. Budirahaju Lita, who personally and beneficially owned such 79,681,040 Shares.
- (2) 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 through interest of his spouse, Ms. Ko Lok Ping, Maria Genoveffa ("Ms. Ko"), who personally and beneficially owned such 2,105,000 Shares.
- (3) Each of Mr. Fu and Mr. Leung is interested in share options which can be severally exercised to subscribe 8,000,000 Shares.
- (4) Mr. Wang is interested in share options which can be severally exercised to subscribe 1,600,000 Shares.

B.(1) ASSOCIATED CORPORATION – PEIXIN GROUP LIMITED (“PEIXIN”), AN INDIRECT NON WHOLLY-OWNED 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	Long position	Interest held by a controlled corporation	42 shares <i>(Note)</i>	30%

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

B.(2) ASSOCIATED CORPORATION – SHUYANG ITAD ENVIRONMENTAL TECHNOLOGY LIMITED (“SHUYANG ITAD”), AN INDIRECT NON WHOLLY-OWNED 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	Long position	Interest held by a 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 Mr. Lo and Ms. Ko in equal shares. Such 42 shares in Peixin represent 30% of the entire issued share capital on Peixin. As such, Mr. Lo and Ms. Ko were deemed to be interested in such registered capital pursuant to Part XV of the SFO.

In addition to the above, as at 30 September 2021, Mr. Lo 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 30 September 2021, 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 2021.

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

As at 30 September 2021, 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 as recorded in the register required to be kept under Section 336 of the SFO:

INTERESTS IN SHARES

Name of substantial shareholder	Long/short position	Capacity	Number of ordinary Shares	Percentage of the Company's issued share capital
WKI Partners (Holdings) Limited	Long position	Interest held by controlled corporation	179,315,000 <i>(Note)</i>	9.94%

Note: 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.

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 Listing Rules.

During the six months ended 30 September 2021, the Directors consider that the Company has complied with the code provisions set out in the CG Code throughout the reporting period, save for the deviation as set out below:

CG Code provision A.5.1 stipulated that the company should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors. Mr. Tsui, an executive Director, is the chairman of the nomination committee of the Company (the "Nomination Committee"). Following the resignation of Mr. Tsang Chi Hon, a former independent non-executive Director who resigned on 15 July 2021, as a member of the Nomination Committee and Mr. Wong Hon Kit ("Mr. Wong"), a former independent non-executive Director who resigned on 31 August 2021, as a member of the Nomination Committee, the composition of the Nomination Committee was not in compliance with the code provision A.5.1 of the CG Code. The aforesaid deviation from CG Code provision A.5.1 is rectified on 1 November 2021 upon the appointment of Mr. Tsui as the co-chairman of the Board and Mr. Leung Nga Tat ("Mr. Leung") as an independent non-executive Director and a member of the Nomination Committee respectively.

Save as those mentioned above and in the opinion of the Directors, the Company has met all the relevant code provisions set out in the CG Code throughout the six months ended 30 September 2021.

NON-COMPLIANCE WITH RULES 3.10(1) AND 3.21 OF THE LISTING RULES

Following the resignation of Mr. Wong as an independent non-executive Director on 31 August 2021, the Company only had two independent non-executive Directors, thus the number of the independent non-executive Directors fell below the minimum number required under Rule 3.10(1) of the Listing Rules. As a result of the insufficient number of independent non-executive Directors, the Company had also failed to comply with the requirements set out in Rule 3.21 of the Listing Rules with regard to the minimum number of members and the composition of the audit committee. Following the appointment of Mr. Leung as an independent non-executive Director on 1 November 2021, the number of independent non-executive Directors had satisfied the minimum number required under Rule 3.10(1) of the Listing Rules. The Company also met the requirements set out in Rules 3.21 of the Listing Rules with regard to the composition of the audit committee.

Save as those mentioned above and in the opinion of the Directors, the Company has met all the relevant code provisions set out in the CG Code throughout the six months ended 30 September 2021.

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 "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 Code and the Model Code throughout the six months ended 30 September 2021.

The Company has also established written guidelines on terms no less exacting 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.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely Mr. Wang Qi, Mr. Yau Pak Yue (chairman) and Mr. Leung Nga Tat, and is responsible for reviewing the Group's financial information and overseeing 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 2021 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.

On behalf of the Board

Xinhua News Media Holdings Limited
Fu Jun

Chief Executive Officer and Executive Director

Hong Kong, 26 November 2021