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XINHUA NEWS MEDIA HOLDINGS LIMITED

新華通訊頻媒控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 309)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

RESULTS

The board of directors (the “Board”) of Xinhua News Media Holdings Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2012. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the six months ended	
		30 September	
		2012	2011
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$’000	HK\$’000
CONTINUING OPERATIONS			
REVENUE		97,165	90,314
Other income and gains	4	723	638
Staff costs		(79,218)	(78,750)
Depreciation and amortisation	6	(10,544)	(6,453)
Other operating expenses		(25,797)	(22,672)
Finance costs	5	(23)	(14)
Share of profit of an associate		87	45
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	6	(17,607)	(16,892)
Income tax	7	7	-
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(17,600)	(16,892)

		For the six months ended	
		30 September	
		2012	2011
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Notes			
DISCONTINUED OPERATION			
	8	(2,591)	(18,376)
Loss for the period from discontinued operation			
LOSS FOR THE PERIOD		(20,191)	(35,268)
OTHER COMPREHENSIVE INCOME / (EXPENSE)			
Exchange differences on translation of foreign operations and other comprehensive income / (expense) for the period, net of tax		(549)	3,070
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		<u>(20,740)</u>	<u>(32,198)</u>
Loss attributable to:			
Owners of the parent		(19,689)	(33,103)
Non-controlling interests		<u>(502)</u>	<u>(2,165)</u>
		<u>(20,191)</u>	<u>(35,268)</u>
Total comprehensive loss attributable to:			
Owners of the parent		(20,073)	(31,051)
Non-controlling interests		<u>(667)</u>	<u>(1,147)</u>
		<u>(20,740)</u>	<u>(32,198)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
		9	
Basic and diluted			
- For loss for the period		(1.68) HKcents	(3.02) HKcents
- For loss from continuing operations		<u>(1.52) HKcents</u>	<u>(1.54) HKcents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		9,738	10,009
Goodwill	<i>10</i>	22,960	-
Intangible assets		144,184	152,837
Investment in an associate		365	278
Total non-current assets		177,247	163,124
CURRENT ASSETS			
Inventories		-	93
Due from an associate		1,240	1,375
Trade receivables	<i>11</i>	36,461	29,838
Prepayments, deposits and other receivables		27,748	10,284
Pledged time deposits	<i>12</i>	10,009	4,001
Cash and cash equivalents		83,982	75,563
		159,440	121,154
Assets of a group classified as discontinued operation	<i>8</i>	23,120	35,052
Total current assets		182,560	156,206
CURRENT LIABILITIES			
Trade payables	<i>13</i>	7,430	2,240
Other payables and accrued liabilities		30,199	23,455
Finance lease payable		50	48
Tax payable		3,134	-
		40,813	25,743
Liabilities directly associated with the assets classified as discontinued operation	<i>8</i>	15,051	13,969
Total current liabilities		55,864	39,712

	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
NET CURRENT ASSETS	<u>126,696</u>	<u>116,494</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>303,943</u>	<u>279,618</u>
NON-CURRENT LIABILITIES		
Finance lease payable	84	109
Provision for long service payments	1,638	1,531
Deferred income	<u>6,569</u>	<u>6,841</u>
Total non-current liabilities	<u>8,291</u>	<u>8,481</u>
Net assets	<u><u>295,652</u></u>	<u><u>271,137</u></u>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	13,023	11,669
Reserves	<u>270,104</u>	<u>263,100</u>
	<u>283,127</u>	<u>274,769</u>
Non-controlling interests	<u>12,525</u>	<u>(3,632)</u>
Total equity	<u><u>295,652</u></u>	<u><u>271,137</u></u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements (“Financial Statements”) are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Main Board Listing Rules”).

The accounting policies and the basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial statements are the same as those used in the Group’s annual financial statements for the year ended 31 March 2012, except for the adoption of certain new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all HKFRSs, HKASs and Interpretations) that are adopted for the first time for the current period’s Financial Statements as disclosed in note 2 below.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Application of new and revised HKFRSs

In the current period, the Group has applied for the first time, the following new and revised standards, amendments and interpretations (the “new HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial period beginning 1 April 2012.

HKAS 12 (Amendments)	<i>Deferred Tax — Recovery of Underlying Assets</i>
HKFRS 1 (Amendment)	<i>Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>
HKFRS 7 (Amendments)	<i>Disclosures — Transfers of Financial Assets</i>

The application of the above new HKFRSs had no material effect on the results and financial positions of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective.

Amendments to HKFRSs	<i>Annual Improvements 2009-2011 Cycle²</i>
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	<i>Consolidated Financial Statements, Joint Arrangements and Disclosure of interests in Other Entities: Transition Guidance²</i>
HKAS 1 (Amendments)	<i>Presentation of Items of Other Comprehensive Income¹</i>
HKAS 19 (as revised in 2011)	<i>Employee Benefits²</i>
HKAS 27 (as revised in 2011)	<i>Separate Financial Statements²</i>
HKAS 28 (as revised in 2011)	<i>Investments in Associates and Joint Ventures²</i>

HKAS 32 (Amendments)	<i>Presentation — Offsetting Financial Assets and Financial Liabilities³</i>
HKFRS 1 (Amendments)	<i>Government Loans²</i>
HKFRS 7 (Amendments)	<i>Disclosures — Offsetting Financial Assets and Financial Liabilities²</i>
HKFRS 7 and HKFRS 9 (Amendments)	<i>Mandatory Effective Date of HKFRS 9 and Transition Disclosure⁴</i>
HKFRS 9	<i>Financial Instruments⁴</i>
HKFRS 10	<i>Consolidated Financial Statements²</i>
HKFRS 11	<i>Joint Arrangements²</i>
HKFRS 12	<i>Disclosure of Interests in Other Entities²</i>
HKFRS 13	<i>Fair Value Measurement²</i>
HK(IFRIC) — Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine²</i>

¹ Effective for annual periods beginning on or after 1 July 2012

² Effective for annual periods beginning on or after 1 January 2013

³ Effective for annual periods beginning on or after 1 January 2014

⁴ Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of assessing the potential impact of the above new HKFRSs upon initial application but is not yet in a position to state whether the above new HKFRSs will have a significant impact on the Group's and the Company's results of operations and financial position.

3. OPERATING SEGMENT INFORMATION

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

- (a) the cleaning and related services segment engages in the provision of cleaning and related services for office buildings, public areas and residential areas;
- (b) the medical waste treatment segment engages in the provision of non-incineration medical waste handling services for hospitals;
- (c) the television screen broadcast business segment engages in the provision of publicly broadcasting information and advertisements on television screens services; and
- (d) the medical management consulting services segment engages in the provision of hospital management solutions and sales of medical equipment and machinery. This is a newly reportable segment after the Group has completed the acquisition of 51% equity interest of Shanghai GoalReal Hospital Investments Management Limited ("GoalReal") in September 2012. For further details, please refer to note 14.

The waste treatment business was terminated during the year ended 31 March 2012 as detailed in note 8.

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 loss, which is a measure of adjusted loss before tax from continuing operations. The adjusted loss before tax from continuing operations are measured consistently with the Group's loss before tax from continuing operations except that interest income, finance costs, impairment losses from the Group's financial instruments and share of result of an associate are excluded from such measurement.

The following table presents revenue and results for the Group's operating segments for the six months ended 30 September 2012 and 2011.

For the six months ended 30 September 2012						
Continuing operations					Discontinued operation	
Cleaning and related services (unaudited) HK\$'000	Television screen broadcast business (unaudited) HK\$'000	Medical waste treatment (unaudited) HK\$'000	Medical management consulting services (unaudited) HK\$'000	Sub-total (unaudited) HK\$'000	Waste treatment (unaudited) HK\$'000	Total (unaudited) HK\$'000
Segment revenue:						
Service income from external customers	93,556	177	3,432	-	97,165	97,165
Other income and gains	54	-	230	-	441	725
Total	<u>93,610</u>	<u>177</u>	<u>3,662</u>	<u>-</u>	<u>97,449</u>	<u>97,890</u>
Segment results	<u>1,434</u>	<u>(14,614)</u>	<u>606</u>	<u>(61)</u>	<u>(12,635)</u>	<u>(15,239)</u>
Reconciliation:						
Interest income						452
Unallocated gains						87
Unallocated expenses						(5,475)
Finance costs						(23)
Loss before tax						<u>(20,198)</u>

For the six months ended 30 September 2011

	Continuing operations				Discontinued operation	
	Cleaning and related services (unaudited) HK\$ '000	Television screen broadcast business (unaudited) HK\$ '000	Medical waste treatment (unaudited) HK\$ '000	Sub-total (unaudited) HK\$ '000	Waste treatment (unaudited) HK\$ '000	Total (unaudited) HK\$ '000
Segment revenue:						
Service income from external customers	87,434	50	2,830	90,314	-	90,314
Other income and gains	171	-	337	508	146	654
Total	87,605	50	3,167	90,822	146	90,968
Segment results	(3,087)	(7,764)	(103)	(10,954)	(6,784)	(17,738)
Reconciliation:						
Interest income						139
Unallocated gains						45
Unallocated expenses						(6,361)
Impairment losses recognised in profit or loss in respect of property, plant and equipment*						(11,264)
Finance costs						(89)
Loss before tax						(35,268)

* Impairment of property, plant and equipment was related to waste treatment segment.

4. OTHER INCOME AND GAINS

	For the six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Bank interest income	439	30
Amortisation of government grant	229	229
Management fee received	38	80
Sundry income	17	299
	<u>723</u>	<u>638</u>

5. FINANCE COSTS

	For the six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank overdraft	16	6
Interest on a finance lease	7	8
Interest on loans from a director	-	75
	<u>23</u>	<u>89</u>
Attributable to:		
Continuing operations	23	14
Discontinued operation (note 8)	-	75
	<u>23</u>	<u>89</u>

6. LOSS BEFORE TAX

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

	For the six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of services rendered *	86,539	81,357
Depreciation		
Continuing operations	2,067	515
Discontinued operation	1,333	4,530
Amortisation of intangible assets		
Continuing operations	8,477	5,938
Discontinued operation	-	8
Loss on disposal of property, plant and equipment *	<u>98</u>	<u>-</u>

* The expense is from the continuing operations only.

7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2011: Nil). Subsidiaries located in the People's Republic of China (the "PRC") are subject to the PRC enterprise income tax at a rate of 25% on its assessable profits.

During the period, the Group has acquired 51% equity interest of GoalReal. As of the acquisition date, GoalReal has income tax expenses accrued based on profit from 1 January 2012 to the acquisition date. GoalReal incurred a slight loss for the period after acquisition to 30 September 2012. The accrued income tax expense was then reversed based on assessable profit of the entity as a whole as at 30 September 2012.

No enterprise income tax has been provided for other subsidiaries in the PRC as they did not generate any assessable profits arising in the PRC during the period (2011: Nil).

8. DISCONTINUED OPERATION

On 11 January 2012, the Company announced that the Group had entered into Agreement with the Shuyang Municipal Government to terminate the investment agreement relating to the waste treatment business, namely, the operation of Shuyang ITAD Environmental Technology Limited ("Shuyang ITAD") municipal waste treatment plant located in Shuyang County, Jiangsu Province, PRC on 9 January 2012. As at 31 March 2012 and 30 September 2012, the waste treatment business was classified as a discontinued operation.

The results of the waste treatment business for the six months ended 30 September 2012 and 2011 are presented below:

	For the six months ended	
	30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue	-	-
Other income and gains	454	155
Impairment of property, plant and equipment	-	(11,264)
Expenses	(3,045)	(7,192)
Finance costs (note 5)	-	(75)
Loss before tax from discontinued operation	(2,591)	(18,376)
Income tax	-	-
Loss for the period from discontinued operation	<u>(2,591)</u>	<u>(18,376)</u>

The major classes of assets and liabilities of the waste treatment business classified as discontinued operation as at 30 September 2012 and 31 March 2012 are as follows:

	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
ASSETS		
Property, plant and equipment	21,354	23,251
Trade receivables	60	61
Prepayments, deposits and other receivables	1,149	1,232
Pledged time deposits	-	10,049
Cash and cash equivalents	557	459
	<u>23,120</u>	<u>35,052</u>
LIABILITIES		
Trade payables	-	(52)
Other payables and accruals	(4,255)	(4,283)
Tax payable	(283)	(283)
Loans from a director	(10,513)	(9,351)
	<u>(15,051)</u>	<u>(13,969)</u>
Liabilities directly associated with the assets classified as discontinued operation	<u>(15,051)</u>	<u>(13,969)</u>
Net assets directly associated with the discontinued operation	<u>8,069</u>	<u>21,083</u>

The net cash flows incurred by waste treatment business are as follows:

	For the six months ended 30 September 2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Operating activities	(11,118)	(2,748)
Investing activities	-	(3,179)
Financing activities	1,162	4,276
	<u>(9,956)</u>	<u>(1,651)</u>
Net cash outflow	<u>(9,956)</u>	<u>(1,651)</u>
Loss per share:		
Basic and diluted, from the discontinued operation	<u>(0.16) HK cents</u>	<u>(1.48) HK cents</u>

The calculations of the basic loss per share from the discontinued operation are based on:

	For the six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
Loss attributable to ordinary equity holders of the parent from the discontinued operation	HK\$1,817,000	HK\$16,246,000
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation (note 9)	<u>1,172,077,778</u>	<u>1,096,697,427</u>

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Basic loss per share

The calculation of basic loss per share is based on the loss for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the period.

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 September 2012 and 2011 in respect of a dilution as the impact of the share options and warrants outstanding had an anti-dilutive effect on the basic loss per share amounts presented. The diluted loss per share was the same as the basic loss per share.

The calculation of basic loss per share is based on:

	For the six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss		
Loss attributable to ordinary equity holders of the parent used in the basic loss per share calculation		
From continuing operations	(17,872)	(16,857)
From discontinued operation	<u>(1,817)</u>	<u>(16,246)</u>

Number of shares

Shares

Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	<u>1,172,077,778</u>	<u>1,096,697,427</u>
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10. GOODWILL

During the period, goodwill was resulted from the acquisition of 51% equity interest of GoalReal. The consideration for this acquisition was the issue of 135,387,000 new ordinary shares of HK\$0.01 each of the Company at a price of HK\$0.2142 each and a cash consideration of approximately HK\$12,000,000. The total consideration combined was HK\$41,000,000. This constitutes a discloseable transaction and details of which are described in the Company's announcements dated 29 August 2012 and 10 September 2012. For details, please refer to note 14.

11. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of 30 days, extending up to 90 days for customers with a long term relationship. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
Within 30 days	15,990	15,507
31 - 60 days	9,487	9,038
61 - 90 days	2,899	4,393
91 - 120 days	2,239	359
Over 120 days	5,846	541
	<u>36,461</u>	<u>29,838</u>

12. PLEDGED TIME DEPOSITS

The Group's banking facilities amounting to HK\$10,000,000 (31 March 2012: HK\$14,000,000), of which no banking facilities (31 March 2012: Nil) had been utilised as at the end of the reporting period, are secured by the pledge of certain of the Group's time deposits amounting to HK\$10,009,000 (31 March 2012: HK\$4,001,000).

13. TRADE PAYABLES

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

	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
Within 30 days	5,004	2,155
31 - 60 days	-	-
61 - 90 days	2,426	85
	<u>7,430</u>	<u>2,240</u>

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

14. ACQUISITION OF SUBSIDIARIES

On 24 September 2012, the Group completed the acquisition of 100% equity interest of Pan Asia Century Holdings Limited (“Pan Asia Century Holdings”) and shareholder’s loan of HK\$22,140,000 at a consideration of HK\$41,000,000.

Pan Asia Century Holdings was incorporated on 23 April 2012 in the British Virgin Islands with limited liability, whose principal business is investment holding. Pan Asia Century Holdings owns the entire issued share capital of Pan Asia Century Investments Limited (“Pan Asia Century Investments”) which holds 51% of the entire equity interest in GoalReal (collectively referred to as “Pan Asia Group”). GoalReal is principally engaged in (i) hospital investment management and consultation, (ii) the provision of hospital management solutions, and (iii) sales of medical equipment and machinery.

The total consideration of HK\$41,000,000 was satisfied in the following manner:

- a) HK\$12,000,000 paid in cash; and
- b) HK\$29,000,000 settled as follows:
 - (i) HK\$28,999,895.40 settled by the allotment and issue of 135,387,000 consideration shares at HK\$ 0.2142 per share; and
 - (ii) the balance to be paid in cash.

The total consideration is subject to adjustment if the actual net profit of the Pan Asia Group for the 12-month period commencing from the completion date falls below HK\$10,000,000, in which case Pan Asia Century Consulting Limited (the “Vendor”) shall pay to the Group an amount calculated as: (HK\$10,000,000 – actual net profit) x 51%. Details of the acquisition are set out in the Company’s announcements dated 29 August 2012 and 10 September 2012.

The carrying amount and fair value of the net assets acquired and the goodwill arising from the acquisition of the Pan Asia Group are as follows:

	<i>HK\$'000</i>
Property, plant and equipment	1,327
Trade receivables	7,486
Prepayments, deposits and other receivables	15,971
Cash and cash equivalents	21,674
Other payables and accrued liabilities	(9,021)
Tax payable	<u>(3,142)</u>
	34,295
Less: Non-controlling interest	<u>(16,824)</u>
	17,471
Goodwill arising on acquisition (note 10)*	<u>22,960</u>
Consideration	<u><u>40,431</u></u>
Satisfied by:	
Cash	12,000
New ordinary shares issued**	<u>28,431</u>
	<u><u>40,431</u></u>

Notes:

* According to HKFRS 3, goodwill was recognised as the difference between:

- (a) the aggregate of the consideration transferred, any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; and
- (b) the net identifiable assets acquired.

Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire the Pan Asia Group. In addition, the consideration paid for the combination included amounts in relation to the revenue growth and future economic benefits arising from them which cannot be measured reliably.

** The fair value of the new ordinary shares issued was based on the quoted closing price of the Company's share of HK\$0.21 at the date of acquisition and 135,387,000 shares.

15. COMPARATIVE AMOUNTS

The comparative income statement has been re-presented as if the operation discontinued during the year ended 31 March 2012, as detailed in note 8, had been discontinued at the beginning of the comparative period. Certain comparative amounts in notes 3, 4, 5 and 6 have been reclassified to conform with the current period's presentation. In the opinion of the directors, such reclassification provided a more appropriate presentation on the Group's results.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results

The Group's turnover from continuing operations for the six months ended 30 September 2012 amounted to HK\$97,165,000, represented a 7.6% increase as compared to the same period last year. The loss of the Group for the six months ended 30 September 2012 from continuing operations was HK\$17,600,000 (2011:HK\$16,892,000). Cleaning and related services business made a profit of HK\$1,434,000, the medical waste treatment business made a profit of HK\$606,000 and the television screen broadcast business made a loss of HK\$14,614,000, of which HK\$7,564,000 was from the amortisation for the intangible asset related to the granting of the Free Right by Xinhua News Agency Asia-Pacific Regional Bureau Limited ("APRB") for the television screen broadcast business under the cooperation agreement entered into by Asia-Pacific Regional Bureau and the Company on 22 November 2010 (the "Cooperation Agreement").

The discontinuation of the operation of the municipal waste treatment plant was located in Shuyang County, Jiangsu Province, PRC. Total loss from the discontinued operation for the six months ended 30 September 2012 was HK\$2,591,000.

Financial Review

As at 30 September 2012, the Group's cash and cash equivalents and pledged time deposits totalled HK\$93,991,000 (31 March 2012: HK\$79,564,000) and its current ratio (excludes the discontinued operation) was 3.91 (31 March 2012: 4.71). The Group's net assets were HK\$295,652,000 (31 March 2012: HK\$271,137,000).

As at 30 September 2012, the Group did not have any bank borrowings but the Group had a finance lease payable and loans from a director of HK\$134,000 and HK\$10,513,000 as at 30 September 2012 respectively (31 March 2012: HK\$157,000 and HK\$9,351,000); loans from a director is included in discontinued operation and therefore, its gearing ratio, representing ratio of a finance lease payable and loans from a director to shareholders' equity was 3.6% (31 March 2012: 3.5%). The Group's shareholders' equity amounted to HK\$295,652,000 as at 30 September 2012 (31 March 2012: HK\$271,137,000).

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

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

As at 30 September 2012, the Group's banking facilities were secured by the pledge of certain of the Group's time deposits amounting to HK\$10,009,000 (31 March 2012: HK\$4,001,000).

Business Review

Though facing high competitions from the existing and new market players, the Group managed to extend the market share in cleaning services, one of its core businesses during the period under review. A two-year contract was signed with a US based and listed international fashion and clothing retailer to provide initial and day-to-day cleaning to their second store in Hong Kong.

The contract in connection with the provision of regular and high-level cleaning in addition to marble fitting maintenance services for a headquarters building owned and managed by a prominent real estate developer in Central was renewed for another two years with a service contract of another Grade-A office and commercial building situated in Tsuen Wan awarded to us by the same developer later of the period.

The contract for providing comprehensive cleaning to a skyscraper office building standing on the waterfront of Central was renewed for three years with an option to extend for another three years. Several contracts for residential estate, shopping arcades and other composite properties in hand were also renewed for a term ranging from one to three years.

The broad range of stone maintenance products covering various aspects of the industrial needs from our business partner enjoyed increased popularity and recognition, not only in the local market, but also in mainland China and Macau.

In respect of the medical waste treatment business, the operations of two medical waste treatment plants of the Group in Siping City and Suihua City on the Mainland continued smoothly.

In respect of the disposal of the Municipal Waste Treatment Plant facilities in Shuyang, the Group is continuing its negotiation with an independent state-owned enterprise.

For the television screen broadcast business, the Group's first contract for providing media content and advertisement on through trains operated by the MTR Corporation Limited ("MTR") running from Guangzhou East and Hong Kong and the television screen at the MTR Hunghom Departure Hall, continues smoothly. In early September 2012, the Group has completed the installation of television broadcasting equipment and cables at the Hong Kong International Airport ("HK Airport"). Test runs of television programs including news and lifestyle programs on selected television screens at departure gates have already started. It is expected that the television screens will become fully operational by December 2012.

The Group has also approached advertising agencies to discuss cooperation possibilities with a view to enlarge its customer base and reducing operating costs.

The Group is a newcomer in the media business; hence the management has adopted a highly prudent approach in the development of the television screen broadcast business. The fundamental start up preparations for the broadcast operations had taken longer to complete than planned. The operating results of the television screen broadcast business were also affected by a slowdown of the overall economy in Hong Kong since 2011. The Group is confronted with cautious spending sentiments of potential customers; and extra efforts have to be made to anticipate and respond to rapidly evolving consumer tastes and preferences for advertising.

According to the Cooperation Agreement, APRB has undertaken that the audited operating revenue derived from the television screen broadcast business for the year ended 31 December 2011 and the year ending 31 December 2012 will be no less than HK\$30,000,000 and HK\$100,000,000, respectively and to pay compensation to the Company in the event any part of the undertaking cannot be fulfilled. The Company has started negotiations with APRB on remedial actions. As there is no provision in the Cooperation Agreement for how the compensation will be calculated, discussions are still being conducted in ascertaining a fair and reasonable basis in determining compensation. Professional assistance has been sought in this relation including assessment of economic damages by professional valuer and legal advice on appropriateness of various remedial considerations. An announcement will be made when an agreement has been made.

Following the acquisition of the Pan Asia Group in September 2012, the Group has a new business of hospital investment management and consultation, hospital management solutions, and sales of medical equipment. For the period under review, the Group has recorded a loss of approximately HK\$61,000 for this business segment. However, the directors are confident that the new business will grow and add value to the Group.

Prospects

Cleaning and related services

The Statutory Minimum Wage (SMW) at an initial rate of HK\$28 per hour which came into effect on 1 May 2011 is due to be revised on 1 May 2013. The SMW rate would have far-reaching effects and impacts on various sectors including cleaning services which are labour intensive.

Challenges in terms of strained labour supply and wages spirals would likely to lie ahead and would certainly be the deep concerns of the service providers. With our renowned reputation in the industry, our stable workforce of various classifications and our management strengths, the Group is confident that we can gain the upper hand in the accomplishments amidst the operating environment.

Television screen broadcast business

In 2012, the Group has formulated defined developmental directions and objectives for its television screen broadcast business, we have already established the framework for sales network and identified targeted sales partners. Recently, the Group is working with several advertising agents based in Mainland China and Hong Kong. Working together with these advertising agents, we are able to cultivate and maintain better relationships with customers and better focus in developing business with Chinese enterprises.

The test run of the program for the HK Airport has already started earlier in September 2012. The Group expected the commencement of broadcast in the HK Airport will significantly increase the Group's influence, recognition and brand image over the market and media, promoting other advertising-related business, so as to promote stable income growth.

We are still negotiating with the owners of several large property management companies for commencing broadcast in their shopping malls and markets for direct contact with consumers, in which this would enhance the advertising power of our commercial programs. The contents of programs are expected to be localised in the future to include more local language programs, which shows significant improvement in contents diversification and local procedures.

The Group is now negotiating with a property owner in Central District for media broadcasting on an outdoor LED video wall. Negotiation of principal terms and condition is now underway. We are looking forward to finalise the deal by the end of 2012.

Medical management consulting services

It is believed that the performance of medical management consulting business carried out by GoalReal will be improved when Professor Wang is able to dedicate fully to his work in GoalReal as disclosed in the Company's announcements dated 29 August 2012 and 10 September 2012.

The Group will continue to consider acquisitions of new businesses in a prudent manner; based on criteria, inter alia, profit-generating track records, future growth prospects, size of operations and having regard to the relevant business and industry environment.

Interim Dividend

The directors do not recommend the payment of any interim dividend to shareholders for the six months ended 30 September 2012 (2011: Nil).

Warrants

i) Warrants placed on 18 March 2011

On 18 March 2011, an aggregate of 30,600,000 unlisted warrants have been successfully placed by the Company to not less than six placees who are third parties independent of and not connected to the Company and its connected persons, at the issue price of HK\$0.01 per warrant and the subscription price of HK\$0.70 per warrant. The subscription period for the warrants is from the date of issue of the warrants to the expiry, which is 18 months from the issue of the warrants. Upon the exercise in full of the subscription rights attached to the warrants, a maximum of 30,600,000 shares of the Company will be issued and allotted.

During the period, no warrant holders have exercised the subscription rights attached to the warrants. The remaining 30,600,000 unlisted warrants at the issue price of HK\$0.01 each expired. The related warrant reserve of HK\$306,000 was transferred to accumulated losses.

ii) New shares and warrants placed on 3 May 2011

On 3 May 2011, an aggregate of 45,900,000 new shares have been successfully placed by the Company to not less than six placees who are third parties independent of and not connected to the Company and its connected persons, at the placing price of HK\$0.70 per share.

On 3 May 2011, an aggregate of 45,900,000 unlisted warrants have been successfully placed by the Company to not less than six placees who are third parties independent of and not connected to the Company and its connected persons, at the issue price of HK\$0.01 per warrant and the subscription price of HK\$0.70 per warrant. The subscription period for the warrants is from the date of issue of the warrants to the expiry, which is 18 months from the issue of the warrants. Upon the exercise in full of the subscription rights attached to the warrants, a maximum of 45,900,000 shares of the Company will be issued and allotted.

The aggregate net proceeds from the placing of the 45,900,000 new shares and the 45,900,000 unlisted warrants at an issue price of HK\$0.01 per warrant were HK\$30,451,000.

During the period, no warrant holders have exercised the subscription rights attached to the warrants. The remaining of 45,900,000 unlisted warrants at the issue price of HK\$0.01 each expired on 2 November 2012.

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\$4,760,000 (31 March 2012: HK\$1,157,000) in respect of certain services provided to various customers by the Group.
- (b) The Group had a contingent liability in respect of possible future long service payments to employees under the Employment Ordinance, with a maximum possible amount of approximately HK\$3,060,000 as at 30 September 2012 (31 March 2012: HK\$2,912,000). The contingent liability has arisen because, at the end of the reporting period, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A provision of HK\$1,638,000 (31 March 2012: HK\$1,531,000) in respect of such payments has been made in the condensed consolidated statement of financial position as at 30 September 2012.
- (c) 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 2012 and 31 March 2012.

Employees and Remuneration Policies

The total number of employees of the Group as at 30 September 2012 was 1,462 (31 March 2012: 1,579). Total staff costs, including directors' emoluments and net pension contributions, for the period under review amounted to HK\$79,218,000 (30 September 2011: HK\$79,775,000). The Group provides employees with training programmes to equip them with the latest skills.

Remunerations are commensurate with individual job nature, work experience and market conditions, and performance-related bonuses are granted to employees on discretionary basis. In addition, all employees of the Group, including directors, are eligible to participate in the Company's share option scheme.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2012.

MATERIAL ACQUISITIONS AND DISPOSALS

On 29 August 2012, Ally Thrive Investments Limited ("Ally Thrive"), a wholly-owned subsidiary of the Company, entered into an agreement with the Vendor to acquire all the issued shares of and shareholder's loan in Pan Asia Century Holdings for a total consideration of HK\$41,000,000. Pan Asia Century Holdings owns the entire issued capital of Pan Asia Century Investments which in turn owns 51% of the equity interest in GoalReal. GoalReal is principally engaged in (i) hospital investment management and consultation, (ii) the provision of hospital management solutions, and (iii) sales of medical equipment and machinery. The total consideration was satisfied by HK\$12,000,104.60 in cash and an issue of 135,387,000 new ordinary shares in the Company at HK\$0.2142 per share. The consideration is subject to a downward adjustment if the actual net profit of the Pan Asia Group for the 12-month period commencing from the completion date falls below HK\$10,000,000. As security for the Vendor's potential payment obligations which will arise if downward adjustment has to be made, the Vendor has pledged 20,000,000 ordinary shares in the Company to Ally Thrive. The acquisition was completed on 24 September 2012. For details of the acquisition, please refer to the announcements of the Company dated 29 August 2012 and 10 September 2012.

Save as disclosed above, there was no material acquisition and disposal by the Group during the six months ended 30 September 2012.

CORPORATE GOVERNANCE

Throughout the period for the six months ended 30 September 2012, the Company had complied with the code provisions set out in the Corporate Governance Code effective from 1 April 2012 (the "CG Code") contained in Appendix 14 of the Listing Rules for which were applicable to the said period, except for the following deviations:-

Code Provision A.2.1

Code A.2.1 requires the roles of the Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

Mr. Ju Mengjun and Dr. Lo Kou Hong are Co-chairmen of the Board each contributing his experience and focusing on the television screen broadcast business and the cleaning and related business, respectively. The Board considers that each of Mr. Ju Mengjun and Dr. Lo Kou Hong holds the office of Chairman in relation to the television screen broadcast business and the cleaning and related business of which they monitor and manage effectively. Accordingly, the Board is of the opinion that such arrangement is appropriate to the Group's dual business model and in the best interests of the Company.

Code Provision A.6.7

Code A.6.7 requires the independent non-executive directors and non-executive director should also attend general meetings and develop a balanced understanding of the views of shareholders.

The non-executive director of the Company, Mr. Xu Rong, and two independent non-executive directors of the Company, namely Mr. Tang Binfeng and Mr. Wang Qi, were unable to attend the annual general meeting of the Company held on 29 September 2012 due to their other commitments.

AUDIT COMMITTEE

The Audit Committee of the Company comprises 3 members, namely, Ms. Xu Zhijuan (Chairman of Audit Committee), Mr. Tang Binfeng who are independent non-executive directors of the Company and Mr. Xu Rong, who is a non-executive director of the Company. The Audit Committee has reviewed with the management of the Group the unaudited interim financial results of the Group for the six months ended 30 September 2012, including the accounting principles and practices adopted by the Group.

PUBLICATION OF RESULTS ANNOUNCEMENT AND DESPATCH OF INTERIM REPORT

The interim results announcement is published on the websites of the Stock Exchange at (www.hkexnews.hk) and the Company at (www.XHNmedia.com). The 2012 interim report containing all the information required by the Listing Rules will be despatched to the Company's shareholders and available on the above websites in due course.

On behalf of the Board
Xinhua News Media Holdings Limited
JuMengjun Lo Kou Hong
Co-chairman Co-chairman

Hong Kong, 28 November 2012

As at the date of this announcement, the Board comprises eight executive directors, namely Mr. Ju Mengjun, Dr. Lo Kou Hong, Mr. Xu Zugen, Mr. Mao Hongcheng, Mr. Chang Loong Cheong, Mr. Meng Jin, Mr. Shi Gouxiong and Mr. Zhou Guanghe; one non-executive director, namely Mr. Xu Rong; and three independent non-executive directors, namely Ms. Xu Zhijuan, Mr. Tang Binfeng and Mr. Wang Qi.