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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2017

RESULTS

The board of directors (the "Board") of Xinhua News Media Holdings Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2017, together with the comparative figures for the year ended 31 March 2016, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Notes	**2017** *HK$'000*	2016 *HK$'000*
Revenue	*5*	**336,504**	309,846
Other income and gains	*5*	**5,134**	21,068
Staff costs	*6*	**(244,778)**	(226,175)
Depreciation and amortisation		**(5,144)**	(11,074)
Impairment of intangible assets	*6*	**–**	(36,858)
Provision for impairment of trade receivables	*6,10*	**(1,700)**	(30,000)
Other operating expenses		**(97,461)**	(86,593)
Share option scheme expense		**(8,793)**	–
Finance costs	*7*	**(33)**	(46)
Share of results of an associate		**58**	26

	Notes	**2017** HK$'000	2016 HK$'000
Loss before tax	*6*	**(16,213)**	(59,806)
Income tax expenses	*8*	**(1,015)**	(315)
Loss for the year		**(17,228)**	(60,121)
Other comprehensive loss, net of tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations:			
Exchange differences arising during the year		**(879)**	(717)
Total comprehensive loss for the year		**(18,107)**	(60,838)
(Loss)/profit attributable to:			
Owners of the Company		**(18,033)**	(60,248)
Non-controlling interests		**805**	127
		(17,228)	(60,121)
Total comprehensive (loss)/profit attributable to:			
Owners of the Company		**(18,465)**	(60,604)
Non-controlling interests		**358**	(234)
		(18,107)	(60,838)
Loss per share attributable to owners of the Company			
Basic and diluted	*9*	**HK$(0.0132)**	HK$(0.0441)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment		**18,990**	23,059
Intangible assets		**8,757**	10,269
Investment in an associate		**4**	730
Total non-current assets		**27,751**	34,058
Current assets			
Inventories		**326**	308
Amount due from an associate		**–**	240
Trade receivables	*10*	**46,914**	45,551
Prepayments, deposits and other receivables	*10*	**46,115**	46,801
Pledged time deposits	*11*	**2,035**	2,025
Cash and cash equivalents		**54,746**	55,744
Total current assets		**150,136**	150,669
Current liabilities			
Trade payables	*12*	**9,791**	5,914
Other payables and accrued liabilities		**30,070**	32,254
Amount due to an associate		**4**	–
Finance lease payables		**384**	371
Tax payable		**585**	413
Total current liabilities		**40,834**	38,952
Net current assets		**109,302**	111,717
Total assets less current liabilities		**137,053**	145,775

	2017	2016
	HK$'000	*HK$'000*
Non-current liabilities		
Loans from a director	**6,035**	6,417
Finance lease payables	**454**	838
Provision for long service payments	**5,922**	3,850
Deferred income	**4,166**	4,880
Total non-current liabilities	**16,577**	15,985
Net assets	**120,476**	129,790
EQUITY		
Equity attributable to owners of the Company		
Share capital	**13,675**	13,675
Reserves	**110,251**	119,923
	123,926	133,598
Non-controlling interests	**(3,450)**	(3,808)
Total equity	**120,476**	129,790

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 2nd Floor, 5 Sharp Street West, Wan Chai, Hong Kong.

During the year, the Group was principally engaged in the provision of cleaning and related services, the provision of medical waste treatment service, the provision of waste treatment service and the provision of television screen broadcast business.

Other than the above developments, there were no significant changes in the natures of the Group's principal activities during the year.

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

2. BASIS OF PREPARATION

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

The consolidated financial statements have been prepared on the historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in orderly transactions between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristic of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

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

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

The accounting policies adopted in the consolidated financial statements for the year ended 31 March 2017 are consistent with those followed in the preparation of the Group's consolidated statements for the year ended to 31 March 2016 except as described below.

In the current year, the Group has applied for the first time, the following new and revised standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 April 2016.

A summary of the new HKFRSs are set out as below:

HKFRSs (Amendments)	Annual Improvements 2012–2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts

In the opinion of directors, the application of the new HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not applied the following new HKFRSs that have been issued but are not yet effective in the consolidated financial statements:

Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of deferred Tax Assets for Unrealised Losses[1]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2014-2016 Cycle[4]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[2]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 Effective for annual periods beginning on or after 1 January 2017 or 2018

HKFRS 9 – Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instruments.

- All recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

The directors of the Company (the "Directors") are in the process of making an assessment of the potential impact of the application of HKFRS 9 and it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

HKFRS 15 – Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

The Directors anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group’s consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

HKFRS 16 – Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 “Leases” and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

The Directors do not anticipate that the application of these will have a material effect on the Group's consolidated financial statements.

Amendments to HKFRS 2 – Classification and Measurement of Share-based Payment Transactions

The amendments clarify the following:

1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.

2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

3. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:

    i. the original liability is derecognised;

    ii. the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and

    iii. any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The Directors do not anticipate that the application of these will have a material effect on the Group's consolidated financial statements.

The Directors do not anticipate that the application of other new HKFRS will have a material impact on the Group's consolidated financial statements.

4. 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 television screen broadcast business segment engages in the provision of publicly broadcasting information and advertisements on television screens services;

(c) the medical waste treatment business segment engages in the provision of non-incineration medical waste handling services for hospitals; and

(d) the waste treatment business segment engages in the provision of organic waste treatment and sale of the by-products produced.

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

Segment assets exclude investment in an associate, amount due from an associate and unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude loans from a director, amount due to an associate, finance lease payables and unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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

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

	Cleaning and related services		Television screen broadcast business		Medical waste treatment		Waste treatment		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Service income from external customers	**323,419**	291,123	**–**	7,500	**13,015**	11,154	**70**	69	**336,504**	309,846
Other income and gains	**83**	82	**–**	52	**1,317**	529	**2,591**	–	**3,991**	663
Total	**323,502**	291,205	**–**	7,552	**14,332**	11,683	**2,661**	69	**340,495**	310,509
Segment results	**12,742**	12,781	**(12,157)**	(73,829)	**4,348**	2,888	**50**	(1,503)	**4,983**	(59,663)
Reconciliation:										
Interest income									**1,143**	1,105
Share of results of an associate									**58**	26
Unallocated income									**–**	19,300
Unallocated expenses									**(22,364)**	(20,528)
Finance costs									**(33)**	(46)
Loss before tax									**(16,213)**	(59,806)
Income tax expenses									**(1,015)**	(315)
Loss for the year									**(17,228)**	(60,121)
Segment assets	**94,369**	81,793	**48,553**	65,265	**20,046**	19,605	**14,915**	17,094	**177,883**	183,757
Reconciliation:										
Investment in an associate									**4**	730
Amount due from an associate									**–**	240
Total assets									**177,887**	184,727
Segment liabilities	**36,256**	30,666	**3,244**	3,205	**5,634**	6,221	**5,400**	7,219	**50,534**	47,311
Reconciliation:										
Finance lease payables									**838**	1,209
Amount due to an associate									**4**	–
Loans from a director									**6,035**	6,417
Total liabilities									**57,411**	54,937
Other segment information:										
Capital expenditure *(Note)*	**1,315**	2,751	**–**	1,535	**14**	919	**3**	–	**1,332**	5,205
Depreciation and amortisation	**1,376**	944	**860**	7,941	**1,069**	1,217	**1,839**	972	**5,144**	11,074
Impairment losses recognised in profit or loss in respect of:										
Intangible assets	**–**	–	**–**	36,858	**–**	–	**–**	–	**–**	36,858
Trade receivables	**1,700**	–	**–**	30,000	**–**	–	**–**	–	**1,700**	30,000

Note:

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

Geographical information

(a) Revenue from external customers

	2017	2016
	HK$'000	*HK$'000*
Hong Kong	**323,419**	298,623
Mainland China	**13,085**	11,223
	336,504	309,846

(b) Non-current assets

	2017	2016
	HK$'000	*HK$'000*
Hong Kong	**5,366**	7,043
Mainland China	**22,385**	27,015
	27,751	34,058

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

Information about major customers

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

	2017	2016
	HK$'000	*HK$'000*
Customer A	**82,226**	71,679
Customer B	**85,211**	76,443

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's revenue, represents the net invoiced value of services rendered and goods sold. An analysis of the Group's revenue, other income and gains is as follows:

	Note	**2017** *HK$'000*	2016 *HK$'000*
Revenue			
Cleaning and related service fee income		**323,419**	291,123
Television screen broadcast business income		**–**	7,500
Medical waste treatment income		**13,015**	11,154
Waste treatment income		**70**	69
		336,504	309,846
Other income and gains			
Interest income		**1,143**	1,105
Amortisation of deferred income*		**433**	460
Compensation for liquidated damages under remedial agreement	*10*	**–**	16,800
Management fee received		**60**	60
Sundry income		**3,498**	2,643
		5,134	21,068

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

6. LOSS BEFORE TAX

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

	Notes	2017 HK$'000	2016 HK$'000
Employee benefit expenses (including directors' remuneration)			
Wages, salaries and other benefits		**231,044**	214,684
Retirement benefit scheme contributions		**9,449**	9,072
Provision for long service payments		**2,189**	938
Provision for untaken paid leave		**2,096**	1,481
Total employee benefit expenses		**244,778**	226,175
Cost of services rendered*		**291,950**	259,409
Auditors' remuneration			
– Audit service		**1,010**	1,010
– Non-audit service		**16**	15
Minimum lease payments under operating lease in respect of land and buildings		**4,236**	3,834
Depreciation on owned property, plant and equipment		**3,849**	2,516
Depreciation on leased property, plant and equipment		**375**	446
Amortisation of intangible assets		**920**	8,112
Impairment of intangible assets		**–**	36,858
Provision for impairment of trade receivables	*10*	**1,700**	30,000

* The cost of services rendered included an employee benefit expenses of approximately HK$215,670,000 (2016: HK$199,354,000) incurred in the provision of services which has been included in the employee benefit expenses above.

7. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest on finance leases	**33**	46

8. INCOME TAX EXPENSES

	2017	2016
	HK$'000	*HK$'000*
Current tax		
Hong Kong	**58**	–
Mainland China	**957**	351
Over-provision in previous year	**–**	(36)
Tax charge for the year	**1,015**	315

For the year ended 31 March 2017, Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) of the estimated assessable profit for the year. No provision for Hong Kong Profits Tax has been made as the Group had no chargeable profit for the years ended 31 March 2016.

The corporate income tax has been provided for subsidiaries in Mainland China based on assessable profits arising in Mainland China during the year. Subsidiaries located in the People's Republic of China (the "PRC") are subject to the PRC corporate income tax at a rate of 25% on its assessable profits.

No deferred tax liabilities was provided in respect of the tax that would be payable on the distribution of the retained profits as the Group determined that the retained profits as at 31 March 2017 would not be distributed in the foreseeable future.

9. LOSS PER SHARE

Basic and diluted loss per share

The calculation of the basic and diluted loss per share amounts is based on the loss for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 1,367,486,040 (2016: 1,367,486,040) in issue during the year.

The diluted loss per share is the same as the basis loss per share for the year ended 31 March 2017 and 2016 because the Company's share option outstanding during these years were anti-dilutive.

The calculation of the basic and diluted loss per share is based on:

	2017	2016
	HK$'000	*HK$'000*
Loss		
Loss attributable to owners of the Company used in the basic and diluted loss per share calculation	**(18,033)**	(60,248)

	Number of shares	
	2017	2016
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	**1,367,486,040**	1,367,486,040

10. TRADE RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**78,614**	75,551
Less: Impairment loss recognised on trade receivables	**(31,700)**	(30,000)
	46,914	45,551

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. The Group does not hold any collateral or other credit enhancements over its trade receivables balances. Trade receivables are non-interest-bearing.

Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. At the end of the reporting period, an impairment loss of approximately HK$1,700,000 (2016: HK$30,000,000) was recognised on trade receivables.

	2017	2016
	HK$'000	*HK$'000*
Balance at the beginning of the year	**30,000**	–
Impairment loss recognised on trade receivables *(Note)*	**1,700**	30,000
Amount written off as uncollectible	**–**	–
Balance at the end of the year	**31,700**	30,000

Note:

During the year ended 31 March 2017, an impairment loss of approximately HK$1,700,000 was recognised in the consolidated statement of profit or loss and other comprehensive income. The impaired receivable was related to a customer who was in default in payment for the outstanding balance. The Group has taken legal means to pursue the outstanding balance and the Directors expected that the outstanding balance may not be recovered and therefore provision for impairment was provided.

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:

	2017	2016
	HK$'000	*HK$'000*
Within 30 days	**29,699**	26,066
31 to 60 days	**13,605**	14,325
61 to 90 days	**3,145**	4,192
91 to 120 days	**47**	429
Over 120 days	**418**	539
	46,914	45,551

Included in the Group's trade receivables balances are debtors with aggregate carrying amount of approximately HK$465,000 (2016: HK$968,000) which are past due but not impaired at the end of the reporting period. The Group has not provided for impairment loss as there has not been a significant change in credit quality and the balances are considered recoverable.

Ageing of trade receivables that are past due but not impaired:

	2017	2016
	HK$'000	*HK$'000*
Overdue by:		
1 to 30 days	**47**	429
Over 30 days	**418**	539
	465	968

	2017	2016
	HK$'000	*HK$'000*
Prepayments	**2,260**	4,589
Deposits	**4,948**	4,772
Other receivables *(Note)*	**38,907**	37,440
	46,115	46,801

Note:

At 31 March 2017, included in other receivables were a loan receivable amount of HK$18,000,000 (2016: HK$18,000,000) and compensation for liquidated damages under remedial agreement amount of HK$16,800,000 (2016: HK$16,800,000). The loan receivable was advanced to a company not connected to the Group and is unsecured and receivable on demand. The loan receivable is charged at an interest rate of 6% per annum. The compensation for liquidated damages under remedial agreement was a liquidated damages from Xinhua News Agency Asia Pacific Bureau Limited ("APRB"), which is our substantial shareholder and a connected party of the Company, under the further undertaking of the cooperation agreement. As at the date of this announcements, our Company is in negotiation with APRB for the details of settlement.

11. 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$2,035,000 (2016: HK$2,025,000).

12. TRADE PAYABLES

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

	2017	2016
	HK$'000	*HK$'000*
Within 30 days	**5,843**	5,309
31 to 60 days	**3,662**	76
61 to 90 days	**–**	60
Over 90 days	**286**	469
	9,791	5,914

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

13. DIVIDEND

The Directors do not recommend the payment of any dividend to shareholders for the year ended 31 March 2017 (2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results

The Group's revenue for the year ended 31 March 2017 amounted to approximately HK$336,504,000 (2016: HK$309,846,000), a 8.6% increase as compared to the previous year. The loss of the Group was approximately HK$17,228,000 (2016: HK$60,121,000). Cleaning and related services business made a profit of approximately HK$12,742,000 which included a provision for doubtful debt of HK$1,700,000 in relation to a receivable from a customer, the medical waste treatment business made a profit of approximately HK$4,348,000, the television screen broadcast business made a loss of approximately HK$12,157,000, and the waste treatment business made a profit of approximately HK$50,000.

Financial Review

As at 31 March 2017, the Group's cash and cash equivalents and pledged time deposits totaled approximately HK$56,781,000 (2016: HK$57,769,000) and its current ratio was 3.68 (2016: 3.87). The Group's net assets were approximately HK$120,476,000 (2016: HK$129,790,000).

As at 31 March 2017, the Group did not have any bank borrowings but the Group had finance lease payables and loans from a director of approximately HK$838,000 and approximately HK$6,035,000 respectively (2016: HK$1,209,000 and HK$6,417,000) and therefore, its gearing ratio, representing ratio of finance lease payables and loans from a director to shareholders' equity was 5.7% (2016: 5.9%). The Group's shareholders' equity amounted to approximately HK$120,476,000 as at 31 March 2017 (2016: HK$129,790,000).

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 HK$, whereas those of the medical waste treatment business and waste treatment business are transacted in Renminbi ("RMB"). The Group's cash and bank balances are primarily denominated in HK$, RMB and United States dollars.

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

As at 31 March 2017, the Group's banking facilities were secured by the pledge of certain of the Group's time deposits amounting to approximately HK$2,035,000 (2016: HK$2,025,000) and a property owned by a related company which is controlled by a director of the Group.

Business Review

Television screen broadcast business

During the past business year, the Group continues to face adverse Marco-economic conditions in the advertising space. The continuous trend of mobile advertising has had a direct impact on the traditional LED advertising segment of the market. The Group evaluated various potential mergers and acquisitions of multitude of advertising projects in the past year. However, none materialised as the high upfront cost was too much to justify the investment.

The Group has been and is in continuous discussions with Xinhua News Agency Asia Pacific Bureau in regards to the treatment of the shortfall due to the further undertaking. Current talks have gone well, and the Group expects to come to an amicable agreement with Xinhua News Agency Asia Pacific Bureau soon. The Group will make an announcement when appropriate.

Despite the aforementioned difficulties, the Group will continue to take an opportunistic approach to further explore investment and partnership opportunities in this space in the near future.

Cleaning and related services

Concern about labour shortages has continued to rise. According to the economists of a leading commercial bank, Hong Kong working age population posted no growth in 2015 and 2016 and has begun to drop since 2017. Labour shortages have been the top operating challenge in cleaning services and are boosting wage costs.

To face the challenge, it has been a continuous effort of the Group to keep tracks of the needs of our frontline staff by maintaining close contact with them, discussing their concerns and welfare, providing training and development opportunities, enhancing the staff fringe benefits and taking care of their expectations.

While struggling to maintain a stable labour force with minimum turnover, we had in the past year invested in the purchase of new and modern cleaning machinery and equipment phase by phase for our worksites to enhance the effectiveness and as an attempt to rely less on labour where possible. The machine and equipment renewal plan will continue in the coming year. This is particularly noteworthy to increase our competitive edge these days.

Our business co-operation with a listed property developer continued. During the year under review, we had again been awarded cleaning and pest control contracts of 2 luxury low rise housing developments in the suburbs of the New Territories. We stand a good chance to obtain another contract for their new housing development in Sai Kung, which is due for occupation in the second quarter of the year.

Significant developments were achieved in providing high-level cleaning to the external walls, curtain wall glazings, skylights and overhead covers and canopies of several public hospitals. For obvious reasons, standards of completion are set higher than normal and in order to reduce the disturbances caused, the work periods have to be compressed. All these requirements call for careful planning in terms of manpower arrangements, equipment manipulations and measures in response to emergency and unforeseen circumstances. Confidence has been established and negotiations of new contracts for the coming year is in fact underway.

Agreements with one of the biggest flight kitchens in Hong Kong for providing warewash and general cleaning for their headquarters off the airport were renewed for 2 years. In addition, the Group had been able to acquire contracts for the same services for their extension facility which was put into operation a few months ago. Our effort of diversifying our scope of services yields result.

Weather in Hong Kong has been getting warmer and with more rain as a result of the ongoing global warming, facilitating pest breeding and aggregation. Pest control is an important aspect in to-day's society as destructive pests pose significant health threats to humans through disease transmission. Pest and rodent control has been one of our strengths. As before, we had maintained in the year under review constant contact with the local and overseas pest control associations, attended seminars and forums organised by them to enrich our professionalism and knowledge in the field and to meet the market growing demands. This will, of course, be continued.

Several service contracts were during the year renewed for a term ranging from one to three years, including a big housing estate in Lantau which we have been their cleaning contractor since occupation over a decade ago and a grade-A office building and a shopping mall in Causeway Bay.

Medical waste treatment business

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

Waste treatment business

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

Prospects

Television screen broadcast business

The Group will hold the exclusive broadcasting news rights by Xinhua News Agency Asia Pacific Bureau for another four years. The Group is also still under contract with Hong Kong MTR for the rights of Hung Hom Train Station and the KTT train. This is still a solid foundation to which the Group can build upon.

In the coming year, the Group plans to grow through mergers and acquisition channel rather than organically. The M&A route will not only enable the Group to grow at a faster rate, but also acquire sought after LED locations as well as talent expertise. As always, the Group will take a prudent but opportunistic approach when considering potential investments.

Cleaning and related services

The government has, at last, announced the Municipal Waste Charging Scheme which, according to the Secretary for Environment, can effectively bring about the behavioural change of the citizens to waste reduction. Though the scheme, according to the government schedule, will be implemented the earliest in the second quarter of 2019, we are reviewing the impact of the scheme and the corresponding or additional workload brought about.

Bull market of the domestic flats is still underway and the flat prices have passed the all-time high seen in 1997 notwithstanding the various measures of the government to cool the market and the warnings of some economists that entrants would be exposed to interest rate going up this year as Hong Kong interest rates track those of the US because of the dollar peg. According to some academics, bubble is forming and will pop when the interest rate climb up resulting in a deep decline.

Fear of home price falling and sluggish tourism resulting in vacant retail shops will undoubtedly add uncertainty to Hong Kong economy as well as our business. With all these in mind, we shall improve the utilisation of our resources, be unrelenting in work to ameliorate our management and upgrade our equipment and other hardware supply, bringing an even higher quality service to our customers and consolidating our market share.

On the other hand, service providers are still being confronted with aggregate labour shortage due to, among others, the aged population and skills mismatch. A chronic labour shortage in the services has sent wages spirally up and thus burdened operation costs.

Most of the cleaning service contracts are for periods of two to three years, which is a general practice in Hong Kong. Some of our contracts will experience renewal cycles within the second half of the year and will be offered for open tender again by the customers. With cautious confidence we shall strive to bid for and win the contracts. However, there can be no assurance that the contracts can be regained. Should we be unsuccessful in any one of them, our service revenue may inevitably be adversely affected.

Medical waste treatment business

The two medical waste treatment plants located in Siping City and Suihua City have been operating smoothly in the past year and is expected to continue. The Group can therefore reasonably expect the medical waste treatment business will continue to bring in revenue to the Group in the future.

Dividend

The Directors do not recommend the payment of any dividend to shareholders for the year ended 31 March 2017 (2016: 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 HK$13,826,000 (2016: HK$16,824,000) 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$9,605,000 as at 31 March 2017 (2016: HK$6,686,000). 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$5,922,000 (2016: HK$3,850,000) in respect of such payments has been made in the condensed consolidated statement of financial position as at 31 March 2017.

(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 31 March 2017 and 2016.

Event subsequent to the end of financial year

Voluntary conditional securities exchange offers by Huatai Financial Holdings (Hong Kong) Limited and Nuada Limited on behalf of Wisdom Eighteen Limited (the "Offeror")

(i) On 22 May 2017, the Offeror despatched the offer document to the shareholders and optionholders of the Company.

(ii) In response, the Company despatched the response document to the shareholders and optionholders of the Company on 5 June 2017.

(iii) As at 4:00 p.m. on 19 June 2017, the Offeror had received valid acceptances in respect of a total of 1,699,000 shares of the Company under the share offer, representing approximately 0.12% of the entire issued share capital of the Company and had not received any acceptance in respect of the option offer. The closing time and date of the offers will be extended to 4:00 p.m. on 21 July 2017.

Employees and Remuneration Policies

The total number of employees of the Group as at 31 March 2017 was 1,653 (2016: 1,609). Total staff costs, including directors' emoluments and net pension contributions, for the period under review amounted to HK$244,778,000 (2016: HK$226,175,000). The Group provides employees with training programmes to equip them with the latest skills and other benefits inducing 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, redeemed or sold any of the Company's listed securities during the year.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE OF THE LISTING RULES

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 transparency and accountability of all its operations.

Throughout the year ended 31 March 2017, the Company has complied with the code provisions ("Code Provisions") set out in the Corporate Governance Code (the "CG Code") in Appendix 14 of the Main Board Listing Rules, with the exception of Code Provision A.2.7 and A.6.7, as addressed below:

Under Code Provision A.2.7, the chairman (the "Chairman") should at least annually hold meetings with the non-executive Directors, including independent non-executive Directors, without the executive Directors present. During the year ended 31 March 2017, the Chairman did not hold meetings with the independent non-executive Directors without the executive Directors present, which deviates from Code Provision A.2.7. However, in each Board meeting, the chairman of the meetings would ensure that all Directors were able to make a full and active contribution to the Board's affairs and encourage all Directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that the Board decisions fairly reflect the Board consensus.

Under Code Provision A.6.7, independent non-executive Directors and non-executive Directors should attend general meetings of the Company. Mr. Tsang Chi Hon, the independent non-executive Director, could not attend the annual general meeting of the Company held on 30 September 2016 due to other business commitments. However, Mr. Ju Mengjun, the Co-Chairman and an executive Director, presented in the general meeting was elected as Chairman of the meeting to ensure an effective communication with the shareholders at the meeting.

AUDIT COMMITTEE

The audit committee of the Company comprises three members, namely, Mr. Tsang Chi Hon (Chairman of audit committee), Mr. Wang Qi and Mr. Ho Hin Yip, who are independent non-executive Directors of the Company. The audit committee was established to review the accounting principles and practices adopted by the Group and they would discuss auditing, internal controls and financial reporting matters. The audit committee had also reviewed the Group's consolidated financial statements for the year ended 31 March 2017.

PUBLICATION OF RESULTS ANNOUNCEMENT AND DESPATCH OF ANNUAL REPORT

The annual results announcement is published on the websites of the Stock Exchange at (www.hkexnews.hk) and the Company at (www.XHNmedia.com). The 2016/17 annual report containing all the information required by the Main Board 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
Ju Mengjun **Lo Kou Hong**
Co-chairman *Co-chairman*

Hong Kong, 30 June 2017

As at the date of this announcement, the Board comprises five executive directors, namely, Mr. Ju Mengjun, Dr. Lo Kou Hong, Mr. Yu Guang, Mr. David Wei Ji and Mr. Wen Xin Nian; and three independent non-executive directors, namely, Mr. Wang Qi, Mr. Tsang Chi Hon and Mr. Ho Hin Yip.