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 2019

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 2019, together with the comparative figures for the year ended 31 March 2018, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	**2019** *HK$'000*	2018 *HK$'000*
Revenue	*5*	**404,279**	349,240
Other income and gains	*6*	**701**	2,598
Staff costs	*7*	**(270,043)**	(250,421)
Depreciation and amortisation		**(4,750)**	(4,840)
Reversal of impairment of trade receivables	*7, 13*	**–**	200
Provision for impairment of other receivables	*7, 14*	**–**	(18,690)
Other operating expenses		**(147,598)**	(114,571)
Fair value gain on an investment property	*7, 12*	**10,270**	–
Finance costs	*8*	**(31)**	(54)
Share of results of an associate		**–**	(1)

	Notes	**2019**	2018
		HK$'000	*HK$'000*
Loss before tax	*7*	**(7,172)**	(36,539)
Income tax expenses	*9*	**(9,054)**	(2,391)
Loss for the year		**(16,226)**	(38,930)
Other comprehensive (loss)/income, 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		**(617)**	1,388
Total comprehensive loss for the year		**(16,843)**	(37,542)
(Loss)/profit for the year attributable to:			
Owners of the Company		**(15,582)**	(39,964)
Non-controlling interests		**(644)**	1,034
		(16,226)	(38,930)
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(15,690)**	(39,304)
Non-controlling interests		**(1,153)**	1,762
		(16,843)	(37,542)
Loss per share attributable to owners of the Company			
Basic and diluted	*10*	**HK$(0.0100)**	HK$(0.0280)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**16,924**	19,904
Intangible assets	*11*	**33,508**	8,706
Investment property	*12*	**31,521**	–
Investment in an associate		**–**	3
Total non-current assets		**81,953**	28,613
Current assets			
Inventories		**361**	332
Trade receivables	*13*	**77,253**	58,215
Prepayments, deposits and other receivables	*14*	**10,690**	28,227
Pledged time deposits	*15*	**2,056**	2,046
Cash and cash equivalents		**70,759**	44,313
Total current assets		**161,119**	133,133
Total assets		**243,072**	161,746
Current liabilities			
Trade payables	*16*	**21,558**	11,527
Other payables and accrued liabilities		**43,304**	40,210
Amount due to an associate		**–**	4
Loans from a director		**1,167**	–
Finance lease payables		**268**	466
Other financial liability	*17*	**12,973**	–
Tax payables		**4,994**	376
Total current liabilities		**84,264**	52,583
Net current assets		**76,855**	80,550
Total assets less current liabilities		**158,808**	109,163

	2019	2018
	HK$'000	*HK$'000*
Non-current liabilities		
Loans from a director	**5,081**	6,688
Finance lease payables	**294**	562
Deferred income	**3,633**	4,147
Deferred tax liability	**2,565**	–
Total non-current liabilities	**11,573**	11,397
Net assets	**147,235**	97,766
EQUITY		
Equity attributable to owners of the Company		
Share capital	**16,759**	14,463
Reserves	**127,998**	79,672
	144,757	94,135
Non-controlling interests	**2,478**	3,631
Total equity	**147,235**	97,766

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The principal place of business of the Company is located at Unit 3709-13, 37/F., Cosco Tower, 183 Queen's Road Central, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

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 advertising media service.

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

2. BASIS OF PREPARATION

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

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2018. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRSs"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

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 advertising media business segment engages in the provision of media strategy, planning and management, product launching and selling, brand building, event marketing as well as developing and operating advertising media;

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

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

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

Segment assets exclude investment in an associate as it is managed on a group basis.

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

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

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

	Cleaning and related services		Advertising media business		Medical waste treatment		Waste treatment		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000* *(Re-presented)*
Segment revenue:										
Service income from external customers	**334,242**	333,473	**53,067**	–	**16,917**	15,698	**53**	69	**404,279**	349,240
Other income and gains	**85**	79	**4**	–	**418**	1,282	**–**	76	**507**	1,437
Total	**334,327**	333,552	**53,071**	–	**17,335**	16,980	**53**	145	**404,786**	350,677
Segment results	**14,610**	10,586	**24,121**	(5,135)	**3,575**	(580)	**(1,731)**	(2,108)	**40,575**	2,763
Reconciliation:										
Interest income									**194**	1,161
Share of results of an associate									**–**	(1)
Share option expenses									**(8,780)**	–
Provision for impairment of other receivables									**–**	(18,690)
Unallocated expenses									**(39,130)**	(21,718)
Finance costs									**(31)**	(54)
Loss before tax									**(7,172)**	(36,539)
Income tax expenses									**(9,054)**	(2,391)
Loss for the year									**(16,226)**	(38,930)

The following is an analysis of the Group's assets and liabilities by reportable segment:

	Cleaning and related services 2019	Cleaning and related services 2018	Advertising media business 2019	Advertising media business 2018	Medical waste treatment 2019	Medical waste treatment 2018	Waste treatment 2019	Waste treatment 2018	Total 2019	Total 2018
Segment assets	**105,736**	101,684	**108,397**	28,172	**16,310**	17,302	**12,629**	14,585	**243,072**	161,743
Reconciliation:										
Investment in an associate									**–**	3
Total assets									**243,072**	161,746
Segment liabilities	**35,155**	40,079	**43,047**	4,010	**5,438**	6,330	**5,387**	5,841	**89,027**	56,260
Reconciliation:										
Finance lease payables									**562**	1,028
Amount due to an associate									**–**	4
Loans from a director									**6,248**	6,688
Total liabilities									**95,837**	63,980
Other segment information:										
Capital expenditure *(Note)*	**384**	1,205	**27,788**	714	**23**	1,515	**3**	–	**28,198**	3,434
Depreciation and amortisation	**1,502**	1,522	**832**	936	**1,299**	1,250	**1,117**	1,132	**4,750**	4,840
Reversal of impairment losses recognised in profit or loss in respect of: trade receivables	**–**	(200)	**–**	–	**–**	–	**–**	–	**–**	(200)

Note:

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

Geographical information

(a) Revenue from external customers

	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**334,242**	333,473
The People's Republic of China (the "PRC")	**70,037**	15,767
	404,279	349,240

(b) Non-current assets

	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**29,352**	4,729
The PRC	**52,558**	23,884
Macau	**43**	–
	81,953	28,613

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:

	2019	2018
	HK$'000	*HK$'000*
Customer A	**95,085**	87,970
Customer B	**68,396**	80,556
Customer C	**53,067**	–

5. REVENUE

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

	2019	2018
	HK$'000	*HK$'000*
Cleaning and related service fee income	**334,242**	333,473
Advertising media related service fee income	**53,067**	–
Medical waste treatment income	**16,917**	15,698
Waste treatment income	**53**	69
	404,279	349,240

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

Disaggregation of revenue from contracts with customers:

2019

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

2018

Segments	Cleaning and related services *HK$'000*	Advertising media business *HK$'000*	Medical waste treatment *HK$'000*	Waste treatment *HK$'000*	Total *HK$'000*
Geographical markets					
Hong Kong	333,473	–	–	–	333,473
PRC	–	–	15,698	69	15,767
Total	333,473	–	15,698	69	349,240
Timing of revenue recognition					
Over time	333,473	–	15,698	69	349,240
Total	333,473	–	15,698	69	349,240

6. OTHER INCOME AND GAINS

	2019 ***HK$'000***	2018 *HK$'000*
Interest income	**194**	1,161
Amortisation of deferred income*	**243**	445
Management fee received	**60**	60
Sundry income	**204**	932
	701	2,598

* 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.

7. LOSS BEFORE TAX

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

	Notes	**2019**	2018
		HK$'000	*HK$'000*
Employee benefit expenses (including directors' remuneration)			
Wages, salaries and other benefits		**248,391**	237,006
Retirement benefit scheme contributions		**9,782**	9,692
Equity-settled share option expenses		**8,780**	–
Provision for long service payments		**947**	1,539
Provision for untaken paid leave		**2,143**	2,184
Total employee benefit expenses		**270,043**	250,421
Cost of services rendered*		**336,126**	304,297
Auditors' remuneration			
– Audit service		**700**	770
– Non-audit service		**220**	–
Minimum lease payments under operating lease in respect of land and buildings		**6,766**	4,684
Depreciation on owned property, plant and equipment		**3,302**	3,426
Depreciation on leased property, plant and equipment		**515**	468
Gain on dissolution of an associate		**(1)**	–
Net gain on disposals of property, plant and equipment		**(1)**	(14)
Written-off of property, plant and equipment		**44**	98
Amortisation of intangible assets		**933**	946
Reversal of impairment of trade receivables	*13*	**–**	(200)
Provision for impairment of other receivables	*14*	**–**	18,690
Fair value gain on an investment property	*12*	**(10,270)**	–

* The cost of services rendered included employee benefit expenses of approximately HK$227,824,000 (2018: HK$221,833,000) incurred in the provision of services which has been included in the employee benefit expenses above.

8. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest on finance leases	**31**	54

9. INCOME TAX EXPENSES

	2019	2018
	HK$'000	*HK$'000*
Current tax charge for the year		
Hong Kong	**1,230**	896
The PRC	**5,256**	1,495
	6,486	2,391
Deferred tax	**2,568**	–
	9,054	2,391

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

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

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

Pursuant to the relevant tax law of the Hong Kong Special Administrative Region, Hong Kong profits tax has to be provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Pursuant to the approval of the tax bureau, in accordance with the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), one subsidiary is subject to the tax rate of 15% for being encourage industries at specified area. Other subsidiaries located in the PRC are subject to the PRC Enterprise Income Tax at a rate of 25% (2018: 25%) on their assessable profits.

10. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Basic and diluted loss per share

The calculation of the basic and diluted loss per share amounts is based on the loss for the year attributable to owners of the Company of approximately HK$15,582,000 (2018: HK$39,964,000), and the weighted average number of ordinary shares of 1,559,621,063 (2018: 1,429,446,126) in issue during the year.

The diluted loss per share is the same as the basic loss per share for the year ended 31 March 2019 and 2018 because the Company's share options outstanding during these years were anti-dilutive.

11. INTANGIBLE ASSETS

	Drama scripts	**Medical waste treatment**	**Free right**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost				
At 1 April 2017	–	31,464	151,286	182,750
Exchange realignment	–	3,400	–	3,400
At 31 March 2018 and 1 April 2018	–	34,864	151,286	186,150
Additions	26,306	–	–	26,306
Exchange realignment	–	(2,289)	–	(2,289)
At 31 March 2019	**26,306**	**32,575**	**151,286**	**210,167**
Accumulated amortisation and impairment				
At 1 April 2017	–	22,707	151,286	173,993
Amortisation during the year	–	946	–	946
Exchange realignment	–	2,505	–	2,505
At 31 March 2018 and 1 April 2018	–	26,158	151,286	177,444
Amortisation during the year	–	933	–	933
Exchange realignment	–	(1,718)	–	(1,718)
At 31 March 2019	**–**	**25,373**	**151,286**	**176,659**
Carrying amount				
At 31 March 2019	**26,306**	**7,202**	**–**	**33,508**
At 31 March 2018	–	8,706	–	8,706

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

Drama scripts represent the scripts of the dramas together with the intellectual property rights and other relevant rights for advertising media business segment. Details of the acquisition are set out in note 17.

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

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

	Useful life	**Remaining useful life**
Medical waste treatment	20 years	10-11 years
Free right	10 years	2 years
Drama scripts	Over the shorter of the underlying license period and their useful life with reference to projected revenue.	

No impairment was recognised for both years.

12. INVESTMENT PROPERTY

	2019	2018
	HK$'000	*HK$'000*
At the beginning of year	**–**	–
Transfer from trade receivables	**21,262**	–
Fair value gain on an investment property	**10,270**	–
Exchange realignment	**(11)**	–
At the end of year	**31,521**	–

The estimated fair value of an investment property as at 31 March 2019 was approximately HK$31,521,000 (2018: Nil), which has been arrived at on the basis of a valuation carried out by CHFT Advisory and Appraisal Ltd., an independent professional valuer.

13. TRADE RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**77,253**	89,715
Less: Impairment loss recognised on trade receivables	**–**	(31,500)
	77,253	58,215

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

Reconciliation of impairment loss for trade receivables:

	2019	2018
	HK$'000	*HK$'000*
Balance at the beginning of the year	**31,500**	31,700
Reversal of impairment loss of trade receivables	**–**	(200)
Amount written off as uncollectible	**(31,500)**	–
Balance at the end of the year	**–**	31,500

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:

	2019	2018
	HK$'000	*HK$'000*
Within 30 days	**36,620**	28,167
31 to 60 days	**20,366**	17,167
61 to 90 days	**5,966**	10,196
91 to 120 days	**11,335**	1,342
Over 120 days	**2,966**	1,343
	77,253	58,215

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

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

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

	Current	**Within 30 days past due**	**31-60 days past due**	**61-120 days past due**	**121 days-1 year past due**	**Over 1 year past due**	**Total**
At 31 March 2019							
Weighted average expected loss rate	0%	0%	0%	0%	0%	0%	
Receivable amount *(HK$'000)*	61,715	1,433	372	11,160	2,573	–	77,253
Loss allowance *(HK$'000)*	–	–	–	–	–	–	–
At 31 March 2018							
Weighted average expected loss rate	0%	0%	0%	0%	0%	98%	
Receivable amount *(HK$'000)*	55,530	1,342	37	5	596	32,205	89,715
Loss allowance *(HK$'000)*	–	–	–	–	–	31,500	31,500

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Prepayments	**3,944**	5,590
Deposits	**5,576**	5,212
Other receivables	**19,860**	36,115
Less: Impairment recognised on other receivables	**(18,690)**	(18,690)
	10,690	28,227

At 31 March 2019, included in other receivables were mainly (i) loan receivable and loan interest receivable amounted to approximately HK$nil (2018: HK$21,690,000); and (ii) compensation for liquidated damages under remedial agreement amount of HK$nil (2018: HK$13,200,000).

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

During the year, approximately HK$3,000,000 has been settled by the Borrower. A provision for impairment of HK$18,690,000 has been provided for this balance of the loan since the fiscal year of 2017/18. On 4 October 2018, the Company obtained a final judgement from the Court of First Instance of the High Court of The Hong Kong Special Administrative Region against the Borrower for the recovering the loan. Based on a legal advice provided in October 2018, the Board decided to enforce the final judgement on 30 November 2018. In March 2019, the Company successfully obtained garnishee orders from the Court of First instance to order banks to pay to the company relevant amount and attend a hearing. However, banks later replied to the legal representative of the Company that either no fund was attached or the bank account was closed by the Borrower therefore would not attend the hearing.

(ii) The compensation for liquidated damages under the remedial agreement was a liquidated damage from Xinhua News Agency Asia-Pacific Regional Bureau Limited ("APRB"), which is our former substantial shareholder of the Company, under the further undertaking of the Cooperation Agreement.

During the year ended 31 March 2019, total HK$13,200,000 has been fully settled by APRB.

15. PLEDGED TIME DEPOSITS

At the end of the reporting period, the Group's banking facilities were secured by the pledge of certain of the Group's time deposits amounting to approximately HK$2,056,000 (2018: HK$2,046,000), and a property owned by a related company which is controlled by a director of the Company.

16. 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:

	2019	2018
	HK$'000	*HK$'000*
Within 30 days	**21,360**	6,163
31 to 60 days	**20**	4,798
Over 90 days	**178**	566
	21,558	11,527

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

17. OTHER FINANCIAL LIABILITY

Other financial liability is in respect of the contingent consideration for the payment of the scripts of the dramas together with the intellectual property rights and other relevant rights. The estimated aggregate fair value of the remaining allotted and issued consideration shares and the cash consideration as at 31 March 2019 was approximately HK$12,973,000 (2018: Nil), which has been arrived at on the basis of a valuation carried out by CHFT Advisory and Appraisal Ltd., an independent professional valuer. For details, please refer to the announcements dated 23 September 2018, 12 March 2019 and 20 March 2019.

18. DIVIDEND

The Directors do not recommend the payment of a dividend to shareholders for the year ended 31 March 2019 (2018: nil).

19. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with the current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results

The Group's revenue for the year ended 31 March 2019 amounted to approximately HK$404,279,000 (2018: HK$349,240,000), a 15.8% increase as compared to the previous year. The loss of the Group was approximately HK$16,226,000 (2018: HK$38,930,000). Cleaning and related services business made a profit of approximately HK$14,610,000, the medical waste treatment business made a profit of approximately HK$3,575,000, the advertising media business made a profit of approximately HK$24,121,000, and the waste treatment business made a loss of approximately HK$1,731,000.

The other operating expenses, which amounted to approximately HK$147,598,000 (2018: HK$114,571,000), represented a year-to-year 28.8% increase. Such expenses mainly include the costs of services rendered under cleaning and related service business (about 45% of such), advertising media business (about 21% of such) and medical wastes treatment business as well as legal and professional fee, which together accounted for about 80.5% of other operating expenses in the current year.

During the year, almost 88% of the increment of the other operating expenses is due to the increase in the cost of sales and related expenses incurred under the advertising media business activities. Almost 9% of the increment of the same is due to the increase in legal and professional fee.

Financial Review

As at 31 March 2019, the Group's cash and cash equivalents and pledged time deposits totaled approximately HK$72,815,000 (2018: HK$46,359,000) and its current ratio was 1.9 (2018: 2.5). The Group's net assets were approximately HK$147,235,000 (2018: HK$97,766,000).

As at 31 March 2019, the Group did not have any bank borrowings but the Group had finance lease payables and loans from a director of approximately HK$562,000 and approximately HK$6,248,000 respectively (2018: HK$1,028,000 and HK$6,688,000) and therefore, its gearing ratio, representing ratio of finance lease payables and loans from a director to shareholders' equity was 4.6% (2018: 7.9%). The Group's shareholders' equity amounted to approximately HK$147,235,000 as at 31 March 2019 (2018: HK$97,766,000).

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

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

As at 31 March 2019, the Group's banking facilities were secured by the pledge of certain of the Group's time deposits amounting to approximately HK$2,056,000 (2018: HK$2,046,000) and a property owned by a related company which is controlled by a director of the Company.

Business Review

Advertising Media Business

In May 2018, the Group signed a strategic cooperation framework agreement with Fujian Province Zhi Chuang Zhi Yuan Marketing Planning Company Limited ("Zhi Chuang"). Since then, the Group has been developing with Zhi Chuang and providing advertising media support, including media planning, promoting, marketing and selling services to real estate development project. During the first half year, initial business investment was made and a revenue of approximately HK$6.7 million was recorded. Throughout the whole fiscal year, the Group recorded a segment revenue of approximately HK$53 millions and a segment result of approximately HK$24 millions.

Apart from developing the conventional advertising media business, the Group executes the strategy to diversify, complement and enhance the advertising media business by completing a transaction on acquiring the script of five dramas and a movie on 20 March 2019. This transaction initiates a co-operation between the Group and the reputable national film director Mr. Gao Xixi on developing popular media contents for the booming entertainment market in China.

Cleaning and related services business

With the unemployment rate hitting a record low of 2.8%, labour shortage continued to pose a serious challenge to business operators. Such situation was particularly noticeable in the service and retail sectors. To address and mitigate the issue, remedial measures were adopted by the Group, which included reviewing constantly our wage and fringe benefit packages to attract and incentivize the new blood and reduce turnover rate, awarding gratuities to employees for referrals, paying a premium to those who are required to attend duties at unsocial hours and improving work environments.

There is no quick fix to alleviate labour shortage. We continued our studies to explore new and more ergonomic and effective methods and products to enhance effectiveness and reduce fatigue. We have also been exploring using new machines and equipment with artificial intelligence as far as practicable to replace some of the labour intensive jobs.

During the year under review, four contracts for the provision of warewash and general cleaning services were renewed with a leading flight kitchen in Chap Lap Kok Airport for a term of two years.

In view of our satisfactory performance in the past, the cleaning contract for an office building in Central, once the tallest development in Hong Kong, was extended by three years with reasonable adjustments in the prices.

We were able to renew contracts with a prominent property owner, who has had business with us for several years, to continue the provision of day-to-day cleaning and waste disposal for their properties, including private streets, in Kowloon and Island South.

A two-year contract was also renewed for providing general cleaning, curtain wall cleaning as well as pest control to a commercial and retail development comprising a high-rise office block standing on a podium of floors of retail shops and car parks in Admiralty.

On the aspect of high-level cleaning, in addition to providing cleaning jobs periodically to curtain wall and overhead locations and facilities as included in our long term cleaning contracts, the Group had also entered into two agreements for the provision of one-off external wall cleaning for a commercial building in Central and a luxurious residential complex in Clear Water Bay Road.

Medical waste treatment business

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

Waste treatment business

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

Prospects

Advertising Media Business

Under the 3-year strategic cooperation framework agreement signed in May 2018, the Group continues to develop the conventional advertising media business by providing marketing strategy, media promotion, product selling services to real estate projects in China. Although the current trade war between the USA and China places uncertainties to general economy and the real estate market in China, the Group expects that the revenue for next year is not less than the current year.

Apart from conventional advertising media, which encounters strong competition from digital market, the Group has been developing towards the digital advertising media channels by taking a first step to co-operate with the reputable national film director Mr. Gao Xixi, who is famous in producing popular drama series and movies in China. In 2019, Mr. Gao Xixi serves as the chairman of judging panel for the Magnolia Awards (白玉蘭獎) in 25th Shanghai Television Festival. As the market eyeball attention is shifting to mobile screen and other digital medias, it is the Group's strategy to participate in the quality content-creation industry (i.e. drama series or movie) for securing quality advertisement view time in popular broadcasting channels. Mr Gao Xixi's productions have been broadcasted in digital channels such as Tencent Video, LETV, Youku, Tudou, Iqiyi etc and traditional TV station such as Beijing Television, Zhe Jiang Satellite Television, Hunan Satellite Television etc.

Cleaning and related services business

The statutory minimum wage which customarily revises once every two years had been increased from $34.50 to $37.50 per hour from 1 May 2019, the biggest increase since its introduction in 2011. The ripple effect that this has brought about is the certainty that labour and other related costs are pushed upwards. The Group is well aware of such effects and will take such into consideration when preparing for tenders and renewing contracts.

The economic slowdown in Mainland China, the trade friction between the US and China as well as the deadlock in Brexit have shaved the public's confidence. A prolonged trade friction between these two big economies of US and China will lead to uncertainty and affect economic growth. Although it has been said that Hong Kong might not be impacted as seriously as envisaged, current signs are not so optimistic. Businesses in Hong Kong have become more prudent in their budget preparations and planning.

Several contracts on hand are due for renewal in the next financial year. In the face of these challenges and the fact that more new competitors are scrambling for market shares, we are wary of the situation and can expect that certain contracts may not be renewed with satisfactory return. Our profit margins will likely be affected if that should occur.

Medical waste treatment business

The Group's medical wastes treatment business had been operating smoothly, however, the overall operational cost is likely to rise in the coming years because the Chinese Government now places emphasis on compliance with environmental protection policies on industries such as the medical wastes treatment industry and our Group needs to keep updating our equipment and mode of operations in order to comply. We can therefore expect that the profit margin will be affected in future.

Technology, Media & Telecommunication (TMT)

The wave of innovation and technology is sweeping through the entire world. The HKSAR government has proposed in its latest budget to invest into the development of the "Hong Kong – Shenzhen Innovation and Technology Park" in the Lok Ma Chau Loop, including capital injection to the Innovation and Technology Fund and support for the construction of technology and innovation platforms to attract top-quality scientific research institutions and technology companies in the world to establish a presence in Hong Kong. President XI Jinping also indicated that he attaches importance to the development of scientific research in Hong Kong and emphasised cooperation between Hong Kong and the Mainland on technology to support Hong Kong as an international innovation and technology centre.

The government of the PRC had issued different specific plans and guidance to regulate and expedite the development of "Smart City", for example, The State Council of the PRC (中華人民共和國國務院) had issued National New-type Urbanisation Plan (2014-2020) (國家新型城鎮化規劃(2014-2020年) in 2014, highlighting the "six directions" for development of smart cities, including broadband information and communication network, digitalisation of planning and management, smart infrastructure, convenient public services, development of modern industry, and meticulous social governance. Eight Ministries including National Development and Reform Commission (八部委包括國家發展和改革委員會) issued Guiding Advice on Promoting the Healthy Development of Smart Cities (關於促進智慧城市健康發展的指導意見) in 2014 to regulate and promote the development of smart cities gradually from pilot to other areas of applications (e.g. smart transport, smart healthcare).

As a listed company in Hong Kong, the Group is exploring the development of innovation and technology in Hong Kong and China. We will seriously consider extending our business to the commercial application of high technology, such as robotics, artificial intelligence, computer vision, virtual reality, augmented reality, telecommunication technology and 5G etc, in Hong Kong and China.

Dividend

The Directors do not recommend the payment of a dividend to shareholders for the year ended 31 March 2019 (2018: nil).

Use of the Placing Proceeds

During the year ended 31 March 2019, the Group completed the placing of 162,909,090 new shares of the Company under the general mandate. The net proceeds from the placing was approximately HK$44,198,000 after deduction of the placing commission and other related expenses. Details of which are set out as follows:

Date of Completion	Description of placing activities	Intended use of placing proceeds	Actual use of placing proceeds as at 31 March 2019
26 July 2018	Issued 162,909,090 new shares of the Company under the general mandate. The net proceeds from the placing was approximately HK$44,198,000	It mainly covers the Group's business plan, including but not limited to: (i) establishing an operation centre to provide a wider scope of services; (ii) engaging outsourcing business partners to enhance the Group's capacity and service scope; and (iii) the Group's business development, expansion and exploration of business collaboration opportunities.	Approximately HK$33,651,000 was used for setting up operation center and for the Group's business development. As at 31 March 2019, the unutilized proceeds from the placing, approximately HK$10,547,000, is still allocated for the same intentions.

Save for the aforesaid placing, the Company has not conducted any fund raising activities in the past 12 months immediately preceding the date of this announcement.

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$15,662,000 (2018: HK$17,252,000) in respect of certain services provided to various customers by the Group.

(b) During the ordinary course of its business, the Group may from time to time be involved in litigation concerning personal injuries sustained by its employees or third party claimants. The Group maintains insurance cover and, in the opinion of the Directors, based on current evidence, any such existing claims should be adequately covered by the insurance as at 31 March 2019 and 2018. Currently, there is a claim against the Group for legal costs that amounts to approximately HK$1,800,000 by Brave Venture Limited arising from litigation back in September of 2017.

Event subsequent to the end of financial year

1. On 18 April 2019, the Company, through its indirect wholly owned subsidiary, entered into an agreement to acquire the entire issued share capital in Fujian Jiye Property Management Co., Ltd., which indirectly owns a property named Wuyishan Zhong Sheng Hotel (武夷山中盛大酒店). Details of which are set out in the announcement of the Company dated 18 April 2019.

2. On 18 April 2019, the Company announced that the Company had initiated a motion to strike out a summons to the High Court of the Hong Kong Special Administrative Region. On 19 June 2019, the Company announced that Brave Venture Limited filed a Notice of Discontinuance with the High Court to wholly discontinue a legal action. Details of which are set out in the announcement of the Company dated 18 April 2019 and 19 June 2019.

Employees and Remuneration Policies

The total number of employees of the Group as at 31 March 2019 was 1,520 (2018: 1,604). Total staff costs, including directors' emoluments and net pension contributions, for the period under review amounted to HK$270,043,000 (2018: HK$250,421,000). 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.

Share Options

The Board granted a total of 57,940,604 share options on 6 July 2018 to five Directors and a number of employees (the "Grantees"), to subscribe for a total number of 57,940,604 ordinary shares of HK0.01 each in the capital of the Company under the share option scheme adopted by the Company on 25 September 2015 (the "Share Option Scheme").

In accordance with Rule 17.06A of the Main Board Listing Rules, the details of the share options are as follows: (1) Date of grant: 6 July 2018; (2) Exercise price of the share options granted: HK$0.278 per share (not less than the highest of (i) the closing price of HK$0.275 as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of HK$0.278 per share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of HK0.01 per share); (3) Number of share options granted: an aggregated of 57,940,604 share options each entitling the holder thereof to subscribe for one share at the exercise price mentioned above; and (4) Validity period of the share options: from the date of grant to 5 July 2028 (both dates inclusive).

Among the options granted, the executive Director and co-chairman, Chan Chun Wo, was granted 14,462,000 share options. Other executive Directors, Huang Wen Kai and Li Bing (resigned on 1 June 2019) each was granted 8,677,000 share options. The executive Director and substantial shareholder, Ms. Chen Ming, was granted 1,446,000 share options. An independent non-executive Director, Ms. Lee Suen (re-designated to executive director on 1 June 2019) was granted 1,446,000 share options.

Each grant of the options to the Directors (and associate of the substantial shareholders of the Company), and the chief executives of the Company was approved by the independent non-executive Directors in accordance with Rule 17.04 of the Main Board Listing Rules, save that each of the independent non-executive Directors has abstained from approving the resolution relating to the grant of options to himself/herself.

Save as disclosed above, none of the grantees is a Director, a chief executive or a substantial shareholder of the Company or any of their respective associate(s) (as defined in the Main Board Listing Rules).

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 2019, the Company has complied with the principles and code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Main Board Listing Rules, except for the following deviation:

- Pursuant to code provision A.2.1 of the CG Code, the role of chairman and chief executive officer should be separate and should not be performed by the same individual. The positions of Co-Chairman and Chief Executive Officer of the Company have been held by Mr. Chan Chun Wo since 26 February 2018. The Board believes that Mr. Chan Chun Wo has the requisite experience and knowledge and that vesting in both roles would maintain efficient business operation which is in the best interest of the Group.

AUDIT COMMITTEE

The audit committee of the Company comprises four members, namely, Mr. Tsang Chi Hon (Chairman of audit committee), Mr. Wang Qi, Mr. Ho Hin Yip and Mr. Wang Chunping, 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 2019.

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 2018/19 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.

By order of the Board
Xinhua News Media Holdings Limited
Chan Chun Wo **Lo Kou Hong**
Co-chairman *Co-chairman*

Hong Kong, 27 June 2019

As at the date of this announcement, the Board comprises six executive Directors, namely, Mr. Lo Kou Hong, Mr. Chan Chun Wo, Mr. David Wei Ji, Mr. Huang Wen Kai, Ms. Chen Ming and Ms. Lee Suen; and four independent non-executive Directors, namely, Mr. Wang Qi, Mr. Tsang Chi Hon, Mr. Ho Hin Yip and Mr. Wang Chunping.