XINHUA NEWS MEDIA HOLDINGS LIMITED
新華通訊頻媒控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 309)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

RESULTS

The board (the "Board") of directors (the "Directors") of Xinhua News Media Holdings Limited (the "Company") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 2019. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 September 2019

		For the six months ended 30 September	
		2019	2018
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*5*	**183,788**	181,133
Other income and gains	*6*	**11,427**	310
Staff costs		**(129,395)**	(125,812)
Depreciation and amortisation	*7*	**(6,215)**	(2,469)
Other operating expenses		**(57,949)**	(65,760)
Finance costs	*8*	**(217)**	(18)
Share option expenses		**(911)**	(6,957)
Fair value gain on an investment property		**795**	–
Profit/(loss) before income tax	*7*	**1,323**	(19,573)
Income tax expenses	*9*	**(433)**	(613)
Profit/(loss) for the period		**890**	(20,186)

	Note	For the six months ended 30 September 2019 (Unaudited) HK$'000	2018 (Unaudited) HK$'000
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 period		**(3,101)**	(1,085)
Total comprehensive loss for the period		**(2,211)**	(21,271)
Profit/(loss) attributable to:			
Owners of the Company		**2,574**	(19,814)
Non-controlling interests		**(1,684)**	(372)
		890	(20,186)
Total comprehensive loss attributable to:			
Owners of the Company		**(62)**	(19,999)
Non-controlling interests		**(2,149)**	(1,272)
		(2,211)	(21,271)
Earnings/(loss) per share attributable to owners of the Company	*10*		
Basic and diluted		**HK$0.0015**	HK$(0.0132)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2019

	Notes	30 September 2019 (Unaudited) HK$'000	31 March 2019 (Audited) HK$'000
Non-current assets			
Property, plant and equipment		**59,673**	16,924
Intangible assets	*11*	**32,640**	33,508
Investment property	*12*	**38,557**	31,521
Right-of-use assets		**7,389**	–
Total non-current assets		**138,259**	81,953
Current assets			
Inventories		**351**	361
Trade receivables	*13*	**55,803**	77,253
Prepayments, deposits and other receivables	*14*	**11,133**	10,690
Pledged time deposits	*15*	**2,061**	2,056
Cash and cash equivalents		**71,908**	70,759
Total current assets		**141,256**	161,119
Total assets		**279,515**	243,072
Current liabilities			
Trade payables	*16*	**22,480**	21,558
Other payables and accrued liabilities	*17*	**76,162**	43,304
Lease liabilities		**6,886**	–
Loans from a director		**5,876**	1,167
Finance lease payables		**–**	268
Other financial liability		**12,973**	12,973
Tax payable		**1,158**	4,994
Total current liabilities		**125,535**	84,264
Net current assets		**15,721**	76,855
Total assets less current liabilities		**153,980**	158,808

	30 September 2019 (Unaudited) *HK$'000*	31 March 2019 (Audited) *HK$'000*
Non-current liabilities		
Loans from a director	**–**	5,081
Finance lease payables	**–**	294
Lease liabilities	**511**	–
Deferred income	**3,269**	3,633
Deferred tax liability	**4,265**	2,565
Total non-current liabilities	**8,045**	11,573
Net assets	**145,935**	147,235
EQUITY		
Equity attributable to owners of the Company		
Share capital	**16,759**	16,759
Reserves	**128,847**	127,998
	145,606	144,757
Non-controlling interests	**329**	2,478
Total equity	**145,935**	147,235

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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 interim period, 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, the provision of advertising media service and hotel hospitality service.

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

2. BASIS OF PREPARATION

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

The Interim Financial Statements do not included all the information and disclosures required a full set of financial statements, and should be read in conjunction with the Group's 2019 annual consolidated financial statements for the year ended 31 March 2019 ("2019 Annual Report"). The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in 2019 Annual Report expect as stated below.

Leases

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

Buildings	50% – 80%
Motor vehicles	20% – 22.2%

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US$5,000.

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

In the current interim period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2019. 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 financial statements and amounts reported for the current interim period and prior years except as stated below.

HKFRS 16

On adoption of HKFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as operating leases' under HKAS 17 "Leases", resulted in changes in the consolidated amounts reported in the financial statement as follows:

	1 April 2019 *HK$'000*
At 1 April 2019:	
Increase in right-of-use assets	**10,287**
Increase in lease liabilities	**(10,193)**
Decrease in property, plant and equipments	**(656)**
Decrease in finance lease payables	**562**

The reconciliation of operating lease commitment to lease liabilities as at 1 April 2019 is set out below:

	HK$'000
Operating lease commitment at 31 March 2019:	**12,174**
Add:	
Finance lease payables	**562**
Less:	
Commitment relating to leases with a remaining lease term ending on or before 31 March 2020 and low-value assets	**(1,129)**
Discounting	**(1,414)**
Lease liabilities as at 1 April 2019	**10,193**

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

4. OPERATING SEGMENT INFORMATION

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

(a) the cleaning and related services segment which includes the provision of cleaning and related services for office buildings, public areas and residential areas;

(b) the advertising media business segment which includes in the provision of media strategy, planning and management, product launching and selling, brand building, event marketing as well as the development and operations of advertising media;

(c) the medical waste treatment segment which includes in the provision of non-incineration medical waste handling services for hospitals;

(d) the waste treatment business segment which includes in the provision of organic waste treatment and sale of the by-products produced; and

(e) the hotel business segment which includes in the operation of hotel hospitality services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment result, which is a measure of adjusted profit/(loss) before income tax. The adjusted profit/(loss) before income tax is measured consistently with the Group's profit/(loss) before income tax except that interest income, gain on bargain purchase, finance costs, share option expense and unallocated head office and corporate expenses are excluded from such measurement.

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

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

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

	For the six months ended 30 September 2018					
	Cleaning and related services (Unaudited) *HK$'000*	Advertising media business (Unaudited) *HK$'000*	Medical waste treatment (Unaudited) *HK$'000*	Waste treatment (Unaudited) *HK$'000*	Hotel business (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Segment revenue:						
Service income from external customers	166,068	6,736	8,275	54	–	181,133
Other income and gains	40	–	226	–	–	266
Total	166,108	6,736	8,501	54	–	181,399
Segment results	7,006	(1,897)	1,708	(902)	–	5,915
Reconciliation:						
Interest income						44
Share option expenses						(6,957)
Unallocated expenses						(18,557)
Finance costs						(18)
Loss before income tax						(19,573)
Income tax expenses						(613)
Loss for the period						(20,186)

5. REVENUE

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

	For the six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cleaning and related service fee income	**167,006**	166,068
Advertising media related service fee income	**5,043**	6,736
Medical waste treatment income	**10,595**	8,275
Waste treatment income	**108**	54
Hotel hospitality income	**1,036**	–
	183,788	181,133

During the six months ended 30 September 2019, HK$3,544,000 of variable consideration from advertising media business is recognised when it is highly probable that a significant revenue reversal will not occur (six months ended 30 September 2018: Nil).

Disaggregation of revenue from contracts with customers:

For the six months ended 30 September 2019

Segments	Cleaning and related services (Unaudited) *HK$'000*	Advertising media business (Unaudited) *HK$'000*	Medical waste treatment (Unaudited) *HK$'000*	Waste treatment (Unaudited) *HK$'000*	Hotel business (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Geographical markets						
Hong Kong	167,006	–	–	–	–	167,006
The People's Republic of China ("PRC")	–	5,043	10,595	108	1,036	16,782
Total	167,006	5,043	10,595	108	1,036	183,788
Timing of revenue recognition						
At a point in time	–	4,092	–	–	–	4,092
Over time	167,006	951	10,595	108	1,036	179,696
Total	167,006	5,043	10,595	108	1,036	183,788

For the six months ended 30 September 2018

Segments	Cleaning and related services (Unaudited) *HK$'000*	Advertising media business (Unaudited) *HK$'000*	Medical waste treatment (Unaudited) *HK$'000*	Waste treatment (Unaudited) *HK$'000*	Hotel business (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Geographical markets						
Hong Kong	166,068	–	–	–	–	166,068
PRC	–	6,736	8,275	54	–	15,065
Total	166,068	6,736	8,275	54	–	181,133
Timing of revenue recognition						
At a point in time	–	6,069	–	–	–	6,069
Over time	166,068	667	8,275	54	–	175,064
Total	166,068	6,736	8,275	54	–	181,133

6. OTHER INCOME AND GAINS

	For the six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income	**120**	44
Amortisation of deferred income*	**151**	224
Management fee received	**30**	30
Gain on bargain purchase	**10,941**	–
Sundry income	**185**	12
	11,427	310

* 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. PROFIT/(LOSS) BEFORE INCOME TAX

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

	For the six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of services rendered	**155,021**	155,878
Depreciation of property, plant and equipment	**1,897**	1,993
Depreciation for right-of-use assets	**3,866**	–
Net gain on disposals of property, plant and equipment	**(15)**	–
Amortisation of intangible assets	**452**	476
Loss on written off of property, plant and equipment	**20**	32

8. FINANCE COSTS

	For the six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Leases interest	**217**	–
Interest on finance leases	**–**	18
	217	18

9. INCOME TAX EXPENSES

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

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

Macau Complementary Tax is calculated at a progressive rate from 9% to 12% on the estimated assessable profit for the six months ended 30 September 2019. No provision for Macau Complementary Tax is required as the Company's subsidiary in Macau incurred tax losses for the six months ended 30 September 2019.

Pursuant to the relevant tax law of the Hong Kong Special Administrative Region, Hong Kong profits tax has to be provided at the rate of 16.5% (six months ended 30 September 2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the current interim period.

Pursuant to the approval of the tax bureau, in accordance with the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), one subsidiary of the Group is subject to the PRC Enterprise Income Tax at a rate of 15% for being engaged in the encouraged industries in a designated area. Other subsidiaries of the Group located in the PRC are subject to the PRC Enterprise Income Tax at a rate of 25% (six months ended 30 September 2018: 25%) on their assessable profits.

	For the six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax		
Hong Kong – over-provision in prior year	**(126)**	–
The PRC	**366**	613
	240	613
Deferred tax liability	**193**	–
	433	613

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

Basic and diluted earnings/(loss) per share

The calculation of the basic and diluted earnings/(loss) per share amounts is based on the profit for the interim period attributable to owners of the Company of approximately HK$2,574,000 (six months ended 30 September 2018: loss of HK$19,814,000), and the weighted average number of ordinary shares of 1,675,869,796 (six months ended 30 September 2018: 1,505,048,138) in issue during the interim period.

The diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share for the six months ended 30 September 2019 and 2018 because the Company's share options outstanding during these period were anti-dilutive.

11. INTANGIBLE ASSETS

	Drama *HK$'000*	Medical waste treatment *HK$'000*	Free right *HK$'000*	Total *HK$'000*
Cost				
At 1 April 2019 (Audited)	26,306	32,575	151,286	210,167
Exchange realignment	–	(1,942)	–	(1,942)
At 30 September 2019 (Unaudited)	**26,306**	**30,633**	**151,286**	**208,225**
Accumulated amortisation and impairment				
At 1 April 2019 (Audited)	–	25,373	151,286	176,659
Amortisation during the period	–	452	–	452
Exchange realignment	–	(1,526)	–	(1,526)
At 30 September 2019 (Unaudited)	**–**	**24,299**	**151,286**	**175,585**
Carrying amount				
At 30 September 2019 (Unaudited)	**26,306**	**6,334**	**–**	**32,640**
At 31 March 2019 (Audited)	26,306	7,202	–	33,508

12. INVESTMENT PROPERTY

	2019 ***HK$'000***
At 1 April 2019 (Audited)	**31,521**
Transfer from trade receivables	**8,144**
Fair value gain on an investment property	**795**
Exchange realignment	**(1,903)**
At 30 September 2019 (Unaudited)	**38,557**

13. TRADE RECEIVABLES

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

	30 September 2019 (Unaudited) *HK$'000*	31 March 2019 (Audited) *HK$'000*
Within 30 days	**28,327**	36,620
31 to 60 days	**16,142**	20,366
61 to 90 days	**7,740**	5,966
91 to 120 days	**3,286**	11,335
Over 120 days	**308**	2,966
	55,803	77,253

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 September 2019 (Unaudited) *HK$'000*	31 March 2019 (Audited) *HK$'000*
Prepayments	**5,577**	3,944
Deposits	**3,880**	5,576
Other receivables	**20,366**	19,860
Less: Impairment loss recognised on other receivables	**(18,690)**	(18,690)
	11,133	10,690

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$2,061,000 (31 March 2019: HK$2,056,000), and the building of a related company which is controlled by a director of the Company.

16. TRADE PAYABLES

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

	30 September 2019 (Unaudited) ***HK$'000***	31 March 2019 (Audited) *HK$'000*
Within 30 days	**6,196**	21,360
31 to 60 days	**5,446**	20
61 to 90 days	**105**	–
Over 90 days	**10,733**	178
	22,480	21,558

17. OTHER PAYABLES AND ACCRUALS

	30 September 2019 (Unaudited) ***HK$'000***	31 March 2019 (Audited) *HK$'000*
Other payables	**5,964**	10,837
Consideration payable for acquisition of a subsidiary	**37,533**	–
Accrued liabilities *(Note)*	**32,665**	32,467
	76,162	43,304

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

18. ACQUISITION OF A SUBSIDIARY

On 10 July 2019, the Group acquired the entire registered capital of Fujian Jiye Property Management Co., Ltd.* ("Fujian Jiye") for a cash consideration of RMB33,000,000. Fujian Jiye was engaged in hotel operation during the period.

The fair value of the identifiable assets and liabilities of Fujian Jiye at its date of acquisition, which has no significant difference from its carrying amount, is as follows:

Net assets acquired:	***HK$'000***
Property, plant and equipment	**46,713**
Prepayments, deposits and other receivables	**1,561**
Cash and cash equivalents	**1,781**
Other payables and accrued liabilities	**(291)**
Deferred tax liability	**(1,661)**
Current tax assets	**371**
	48,474
Gain on bargain purchases	**(10,941)**
Satisfied by:	
Consideration payable to the former owner	**37,533**
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	**1,781**

* *for identification purpose only*

19. DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results

The Group's turnover for the six months ended 30 September 2019 amounted to approximately HK$183,788,000 (30 September 2018: HK$181,133,000) represented a 1.5% increase as compared to the corresponding period in 2018. The profit before income tax of the Group for the six months ended 30 September 2019 was approximately HK$890,000 (30 September 2018: loss before income tax of HK$20,186,000). Cleaning and related services business made a profit of approximately HK$7,711,000, the advertising media business made a loss of approximately HK$7,531,000, the medical waste treatment business made a profit of approximately HK$6,719,000, the waste treatment business made a loss of approximately HK$907,000, and the hotel business made a loss of approximately HK$129,000.

Other operating expenses, which amounted to approximately HK$57,949,000 (30 September 2018: HK$65,760,000), represented a period-to-period 11.9% decrease. Such expenses mainly include the costs of services rendered under cleaning and related service business, advertising media business and medical wastes treatment business, which accounted for 72% of other operating expenses in the current period.

During the period, the legal and professional fee decreases significantly by 78% because the legal proceedings were discontinued. The cost of service rendered under the advertising media business and cleaning and related service business decreases slightly 8% due to the decrease in the cost of business operation. The above two factors explained mostly the decrease of the other operating expenses.

Financial Review

As at 30 September 2019, the Group's cash and cash equivalents and pledged time deposits totalled approximately HK$73,969,000 (31 March 2019: HK$72,815,000) and its current ratio was 1.1 (31 March 2019: 1.9). The Group's net assets were approximately HK$145,935,000 (31 March 2019: HK$147,235,000).

As at 30 September 2019, the Group did not have any bank borrowings but the Group has finance lease payables and loans from a director of approximately HK$Nil and HK$5,876,000 respectively (31 March 2019: HK$562,000 and HK$6,248,000) and therefore, its gearing ratio, representing ratio of finance lease payables and loans from a director to shareholders' equity was 4.0% (31 March 2019: 4.6%). The Group's shareholders' equity amounted to approximately HK$145,935,000 as at 30 September 2019 (31 March 2019: HK$147,235,000).

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

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

As at 30 September 2019, the Group's banking facilities were secured by the pledge of certain Group's time deposits amounting to approximately HK$2,061,000 (31 March 2019: HK$2,056,000), and the building of a related company which is controlled by a director of the Company.

Business Review

Advertising media business

The advertising media business continues to provide advertising service to a real estate development project. The second quarter and third quarter of year 2019 is, however, a low season for real estate industry. The ongoing trade war between the USA and China, as well as the recent cool-down measures from the Chinese Government, however, slow down the sales of residential real estate and hence the budget for advertisement.

Cleaning and related services

Hong Kong economy has rapidly deteriorated in the face of the ongoing social unrest paired with the uncertainty of the US-China trade friction. After a contraction in the second quarter of the year, the economic growth of the third quarter tumbled sharply, exceeding the worst estimates. Some analysts opined that Hong Kong might have already plunged into technical recession.

In fact, certain negative impacts have surfaced. Some of our customers have started bargaining for concessions even though our existing contracts still have a period to run before expiry.

Some of our worksites are located within the public gathering prone districts. When public transportation is interrupted, we have to employ private transportation to carry our staff to and from such worksites in order to keep our services in operation which attracted extra costs.

Notwithstanding the worsen economic conditions, the seasonal adjusted unemployment rate stood at 2.9%, suggesting that we are still facing an acute shortage of labour supply.

The airport and the vicinities in Lantau Island have always been some of the toughest areas for recruitment of labour, given the distant location. However, with our untired and continued effort, we have been able to maintain a stable taskforce of around 500 members, providing warewash, general cleaning and operational handling services round-the-clock for a renowned flight catering group adjacent to the airport over the past 10 years.

Three major cleaning service contracts with a listed property developer for its wholly-owned commercial properties, a grade-A office building and a prominent shopping arcade in Causeway Bay and another flag-ship shopping mall in Kowloon Bay were renewed for three years.

The Group was again successful in bidding a two-year contract enabling us to continue the provision of comprehensive cleaning and pest management services for one of the largest prestigious housing estates in South Island, which is another difficult location to recruit labour. During our past six years with this property, modern automatic machines and equipment were from time to time introduced to the estate for achieving better results in response to the stringent requirements of the owners and relying less on labour. Our continuous improvement initiative was one of the positive factors for the owners to decide to choose us again.

Amidst fierce competition, the Group was able to obtain a continuous contract from a membership club for the supply of external wall and glazing cleaning on the basis of once a quarter for their new clubhouse building in Happy Valley.

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 period.

Waste treatment business

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

Prospects

Advertising media business

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.

Apart from conventional advertising media business, which is encountering strong competition from digital market, the Group has been developing the digital advertising media channels by taking a first step to co-operate with the reputable national film director Mr. Gao Xixi ("Mr. Gao"), who is famous in producing popular drama series and movies in China. In 2019, Mr. Gao served 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's productions have been broadcasted in digital channels such as Tencent Video, LETV, Youku, Tudou, Iqiyi etc and traditional TV stations such as Beijing Television, Zhe Jiang Satellite Television, Hunan Satellite Television etc.

Cleaning and related services

Adapting to these hard times, a reversal of this situation is unlikely to take place in the foreseeable future, we have to adopt a series of relief measures to remediate the challenges. We shall continue to conduct joint manpower adequacy revisions with our customers. We are also broadening our procurement network in the hope that more favorable prices and terms can be obtained. Inspection and maintenance of our machines and equipment are planned to be increased in order to minimize the malfunction frequency and prolong their useful lives. The Group, as always, is confident that it shall be triumphant in combating against the adversities and maintaining our competitiveness in the market in the years ahead.

Medical waste treatment business

In view of the Chinese Government's new policy in placing emphasis on compliance with environmental protection policies, the Group foresees that the medical waste treatment business would become more difficult to run in the future. We also expect that the profit margin will be negatively affected.

Interim Dividend

The Board does not recommend the payment of an interim dividend to the shareholders of the Company (the "Shareholders") for the six months ended 30 September 2019 (30 September 2018: Nil).

Use of the Placing Proceeds

During the six months ended 30 September 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 30 September 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$38,638,000 was used for setting up operation center and for the Group's business development. As at 30 September 2019, the unutilized proceeds from placing, approximately HK$5,560,000 is still allocated for the same intentions.

Save for the aforesaid placing, the Company has not conducted any fund raising activities in the past 6 months immediately preceding the date of this 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 approximately HK$14,914,000 (31 March 2019: HK$15,662,000) in respect of certain services provided to various customers by the Group.

b) During the ordinary course of its business, the Group may from time to time be involved in litigation concerning personal injuries sustained by its employees or third party claimants. The Group maintains insurance cover and, in the opinion of the Directors, based on current evidence, any such existing claims should be adequately covered by the insurance as at 30 September 2019 and 31 March 2019. Currently, there is a claim against the Group for legal costs amounted to approximately HK$1,800,000 by Brave Venture Limited arising from litigation back in September of 2017.

Events Subsequent to the Reporting Period

On 24 September 2019, the Company through it's a wholly-owned subsidiary, Xinhua News Media Limited, entered into a Sale and Purchase Agreement (the "Agreement") with Fubon Wealth (Beijing) Asset Management Co., Ltd.* (富邦財富(北京)資產管理有限公司) to acquire 5% issued share capital of Dingzhou Dundi Solid Waste Treatment Co., Ltd.* (定州遁地固廢處理有限公司) (the "Target Company") at a consideration of RMB10,500,000 (HK$11,550,000). The Target Company is a company established under the laws of the People's Republic of China since September 2018 and its main operations is situated in the city of Dingzhou under the Hebei Province. Completion shall be subject to the fulfillment of all the conditions precedent set out in the Agreement. Details of which are set out in the announcement of the Company dated 24 September 2019.

Employees and Remuneration Policies

The total number of employees of the Group as at 30 September 2019 was 1,484 (31 March 2019: 1,520). Total staff costs, including directors' emoluments and net pension contributions, for the reporting period amounted to approximately HK$129,395,000 (30 September 2018: approximately HK$125,812,000). The Group provides employees with training programmes to equip them with the latest skills and also provide other benefits including share option scheme (which later defined as the Share Option Scheme).

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

* *for identification purpose only*

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2019.

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 HK$0.01 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 Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), 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 per share 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 HK$0.01 per share); (3) Number of share options granted: an aggregated of 57,940,604 share options each entitling the holder thereof to subscribed 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, our executive Director and co-chairman, Chan Chun Wo, was granted 14,462,000 share options. Our executive Directors, Huang Wen Kai and Li Bing (resigned on 1 June 2019)* each was granted 8,677,000 share options and Ms. Lee Suen was granted 1,446,000 share options. Our executive Director and substantial shareholder, Ms. Chen Ming (resigned on 31 October 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 Listing Rules, save that each of the independent non-executive Directors has abstained from approving the resolutions relating to the grant of options to himself.

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 Listing Rules).

* Mr. Li Bing ("Mr. Li") resigned on 1 June 2019 and his share options shall be lapsed at the expiration of one month from the date of cessation in accordance with the Share Option Scheme. However, the Board considered his valuable contribution during his tenure of service and offer Mr. Li to extend the share options exercise period for five years from the date of cessation (i.e. 1 July 2019) to 30 June 2024, with exercise price of HK$0.2780 remain unchanged.

** Ms. Chen Ming ("Ms. Chen") resigned on 31 October 2019 and her share options shall be lapsed at the expiration of one month from the date of cessation in accordance with the Share Option Scheme. However, the Board considered her valuable contribution during her tenure of service and offer Ms. Chen to extend the share options exercise period for five years from the date of cessation (i.e. 30 November 2019) to 29 November 2024, with exercise price of HK$0.2780 remain unchanged.

CORPORATE GOVERNANCE

Corporate Governance Practices

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

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

Compliance with Corporate Governance Code of the Listing Rules

During the six months ended 30 September 2019, the Directors consider that the Company has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2019, save for the deviations as set out below:

Code Provision A.1.1 of the CG Code stipulates that the board should meet regularly with 14-day notice and board meetings should be held at least four times a year at approximately quarterly intervals. During the six months ended 30 September 2019, one regular Board meeting was held. Although the Board meetings held during the year were not convened on a regular basis, the Board considered that sufficient board meetings with 3-day notice had been held within appropriate intervals during the six months ended 30 September 2019 in which the Directors actively participated in considering the business operations and corporate actions of the Group.

Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the reporting period, 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiry made by the Company, that they have complied with the required standard as set out in the Model Code during the six months ended 30 September 2019.

AUDIT COMMITTEE

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

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2019 have been reviewed by the Audit Committee, which was of the opinion that such financial statements complied with the applicable accounting standards and that adequate disclosures have been made.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND DESPATCH OF INTERIM REPORT

The interim results announcement is published on the websites of The Hong Kong Exchanges and Clearing Limited at (www.hkexnews.hk) and the Company at (www.XHNmedia.com). The 2019 interim report containing all the information required by the Listing Rules will be despatched to the Shareholders and will be published on the above websites in due course.

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

Hong Kong, 29 November 2019

As at the date of this announcement, the Board comprises four executive Directors, namely, Mr. Lo Kou Hong, Mr. Chan Chun Wo, Mr. Huang Wen Kai and Ms. Lee Suen; one non-executive Director, namely Mr. Wong Kam Tai Kamsuo; and three independent non-executive Directors, namely, Mr. Wang Qi, Mr. Tsang Chi Hon and Mr. Ho Hin Yip.