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XINHUA NEWS MEDIA HOLDINGS LIMITED

新華通訊頻媒控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 309)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

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 2023. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the audit committee of the Company (the “Audit Committee”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2023

		For the six months ended 30 September	
		2023	2022
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	5	153,029	128,040
Other income and gains	6	1,278	3,023
Staff costs	7	(113,155)	(91,518)
Depreciation and amortisation		(2,742)	(3,098)
Loss on fair value changes at financial assets at fair value through profit or loss		(1,005)	(2,729)
Other operating expenses		(45,492)	(43,019)
Finance costs	8	(296)	(370)

		For the six months ended	
		30 September	
		2023	2022
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Loss before income tax	7	(8,383)	(9,671)
Income tax credit	9	<u>—</u>	<u>3</u>
Loss for the period		(8,383)	(9,668)
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of subsidiaries, net of tax		<u>(209)</u>	<u>(70)</u>
Total comprehensive loss for the period		<u>(8,592)</u>	<u>(9,738)</u>
Loss for the period attributable to:			
Owners of the Company		(8,212)	(9,491)
Non-controlling interests		<u>(171)</u>	<u>(177)</u>
		<u>(8,383)</u>	<u>(9,668)</u>
Total comprehensive loss for the period attributable to:			
Owners of the Company		(8,402)	(9,709)
Non-controlling interests		<u>(190)</u>	<u>(29)</u>
		<u>(8,592)</u>	<u>(9,738)</u>
Loss per share attributable to the owners of the Company			
–Basic and diluted	10	<u>(HK\$0.0043)</u>	<u>(HK\$0.0051)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

		30 September 2023 (Unaudited) <i>HK\$'000</i>	31 March 2023 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	<i>11</i>	8,691	9,972
Investment properties	<i>12</i>	–	–
Financial assets at fair value through profit or loss		–	17,007
Right-of-use assets	<i>13</i>	4,853	5,781
Deposits paid for acquisition of property, plant and equipment		2,900	3,086
		<hr/>	<hr/>
Total non-current assets		16,444	35,846
Current assets			
Inventories		231	288
Trade receivables	<i>14</i>	57,550	49,152
Prepayments, deposits and other receivables	<i>15</i>	13,370	18,307
Financial assets at fair value through profit or loss		16,063	–
Pledged time deposits	<i>16</i>	2,083	2,079
Cash and bank balances		64,041	70,125
		<hr/>	<hr/>
Total current assets		153,338	139,951
		<hr/>	<hr/>
Total assets		169,782	175,797
LIABILITIES			
Current liabilities			
Trade payables	<i>17</i>	13,027	12,670
Other payables and accruals	<i>18</i>	43,330	39,096
Promissory notes payable	<i>19</i>	3,000	3,000
Amount due to a related company		1,055	1,055
Lease liabilities		3,001	3,017
Loans from directors		5,990	7,047
Tax payables		283	283
		<hr/>	<hr/>
Total current liabilities		69,686	66,168
		<hr/>	<hr/>

	30 September 2023 (Unaudited) HK\$'000	31 March 2023 (Audited) HK\$'000
Net current assets	<u>83,652</u>	<u>73,783</u>
Total assets less current liabilities	<u>100,096</u>	<u>109,629</u>
Non-current liabilities		
Lease liabilities	<u>3,026</u>	<u>3,967</u>
Total non-current liabilities	<u>3,026</u>	<u>3,967</u>
NET ASSETS	<u>97,070</u>	<u>105,662</u>
EQUITY		
Equity attributable to owners of the Company		
Share capital	19,311	19,311
Reserves	<u>78,397</u>	<u>86,799</u>
	97,708	106,110
Non-controlling interests	<u>(638)</u>	<u>(448)</u>
TOTAL EQUITY	<u>97,070</u>	<u>105,662</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2023

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The principal place of business of the Company is located at Unit 407, Fu Hang Industrial Building, 1 Hok Yuen Street East, Hunghom, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the interim period, the Group was principally engaged in the provision of cleaning and related services, the provision of waste treatment service and the provision of advertising media service.

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2023 ("Interim Financial Statements") have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 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 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

These Interim Financial Statements have been prepared in accordance with the same accounting policies adopted in the audited consolidated financial statement for the year ended 31 March 2023 ("2023 annual financial statements") of the Group ("2023 Annual Report"), except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of the Interim Financial Statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

These Interim Financial Statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 Annual Report. The Interim Financial Statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), and should be read in conjunction with the Group’s 2023 Annual Report.

The financial information relating to the financial year ended 31 March 2023 that is included in the Interim Financial Statements as comparative information does not constitute the Company’s annual consolidated financial statements for that financial year but is derived from those financial statements.

3. CHANGES IN ACCOUNTING POLICIES

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA to these Interim Financial Statements for the current accounting period:

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 1, *Disclosure of accounting policies*
- Amendments to HKAS 8, *Definition of accounting estimates*
- Amendments to HKAS 12, *Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *International tax reform - Pillar Two model rules*

None of the above amendments have had a significant financial effect to the Group. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. OPERATING SEGMENT INFORMATION

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

- (a) the cleaning and related services segment engages in the provision of cleaning and related services for office buildings, public areas and residential areas;
- (b) the advertising media business segment engages in the provision of media strategy, planning and management, product launching and selling, brand building, event marketing as well as the development and operations of advertising media; and
- (c) the waste treatment business segment engages in the provision of organic waste treatment and sale of the by-products produced.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment result, which is a measure of adjusted loss before income tax. The adjusted loss before income tax is measured consistently with the Group's loss before income tax except that interest income, government subsidies, dividend income and gain or loss on fair value changes on financial assets at fair value through profit or loss, finance costs and unallocated head office and corporate expenses are excluded from such measurement.

Segment liabilities exclude loans from directors as these liabilities are managed on a group basis.

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

Segment revenue and results

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

	For the six months ended 30 September 2023			
	Cleaning and related services (Unaudited) HK\$'000	Advertising media business (Unaudited) HK\$'000	Waste treatment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue:				
Service income from external customers recognised over time	<u>153,029</u>	<u>–</u>	<u>–</u>	<u>153,029</u>
Segment results	<u>(504)</u>	<u>(1,007)</u>	<u>(570)</u>	<u>(2,081)</u>
Reconciliation:				
Unallocated other income and gains				337
Interest income				786
Unallocated expenses				(7,129)
Finance costs				<u>(296)</u>
Loss before income tax				(8,383)
Income tax credit				<u>–</u>
Loss for the period				<u>(8,383)</u>
Other segment information:				
Capital expenditure	966	–	–	966
Depreciation and amortisation	<u>1,921</u>	<u>295</u>	<u>526</u>	<u>2,742</u>

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

	Cleaning and related services (Unaudited) HK\$'000	Advertising media business (Unaudited) HK\$'000	Waste treatment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
As at 30 September 2023				
Segment assets:	<u>149,568</u>	<u>14,265</u>	<u>5,949</u>	<u>169,782</u>
Total assets				<u>169,782</u>
Segment liabilities:	<u>45,342</u>	<u>14,572</u>	<u>6,808</u>	<u>66,722</u>
Reconciliation:				
Loans from directors				<u>5,990</u>
Total liabilities				<u>72,712</u>

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

	For the six months ended 30 September 2022			
	Cleaning and related services (Unaudited) HK\$'000	Advertising media business (Unaudited) HK\$'000	Waste treatment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue:				
Service income from external customers recognised over time	<u>128,040</u>	<u>–</u>	<u>–</u>	<u>128,040</u>
Segment results	<u>(800)</u>	<u>(2,596)</u>	<u>(595)</u>	<u>(3,991)</u>
Reconciliation:				
Unallocated other income and gains				2,674
Interest income				199
Unallocated expenses				(8,183)
Finance costs				<u>(370)</u>
Loss before income tax				(9,671)
Income tax credit				<u>3</u>
Loss for the period				<u>(9,668)</u>
Other segment information:				
Capital expenditure	190	–	–	190
Depreciation and amortisation	<u>2,170</u>	<u>376</u>	<u>552</u>	<u>3,098</u>

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

	Cleaning and related services (Audited) <i>HK\$'000</i>	Advertising media business (Audited) <i>HK\$'000</i>	Waste treatment (Audited) <i>HK\$'000</i>	Total (Audited) <i>HK\$'000</i>
As at 31 March 2023				
Segment assets:	<u>151,090</u>	<u>18,037</u>	<u>6,670</u>	<u>175,797</u>
Total assets				<u>175,797</u>
Segment liabilities:	<u>42,604</u>	<u>13,561</u>	<u>6,923</u>	63,088
Reconciliation:				
Loans from directors				<u>7,047</u>
Total liabilities				<u>70,135</u>

Geographical information

	Revenue from external customers For the six months ended 30 September		Non-current assets As at 30 September	
	2023 (Unaudited) <i>HK\$'000</i>	2022 (Unaudited) <i>HK\$'000</i>	2023 (Unaudited) <i>HK\$'000</i>	As at 31 March 2023 (Audited) <i>HK\$'000</i>
Hong Kong	<u>153,029</u>	128,040	<u>7,462</u>	25,693
The People's Republic of China (the "PRC")	<u>–</u>	–	<u>8,982</u>	<u>10,153</u>
	<u>153,029</u>	<u>128,040</u>	<u>16,444</u>	<u>35,846</u>

The Group's revenue from external customers and non-current assets information above are based on the location to which the services and goods are delivered and that of the assets, respectively.

5. REVENUE

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

	For the six months ended	
	30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cleaning and related service fee income	<u>153,029</u>	<u>128,040</u>

6. OTHER INCOME AND GAINS

	For the six months ended	
	30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income	786	199
Management fee income	30	30
Government subsidies (<i>Note</i>)	–	2,465
Dividend income on financial assets at fair value through profit or loss	337	209
Net gain on disposals of property, plant and equipment	1	–
Sundry income	<u>124</u>	<u>120</u>
	<u>1,278</u>	<u>3,023</u>

Note: These represented subsidies receivable by the Group under the Employment Support Scheme under the Anti-epidemic Fund of the Government of the Hong Kong Special Administrative Region.

7. LOSS BEFORE INCOME TAX

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

	For the six months ended	
	30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Employee benefit expenses (including directors' remuneration):		
Wages, salaries and other benefits	107,130	86,471
Retirement scheme contributions (<i>Note 1</i>)	4,697	3,644
Provision for long service payments	318	287
Provision for untaken paid leave	1,010	1,116
	<hr/>	<hr/>
Total staff costs	113,155	91,518
	<hr/>	<hr/>
Cost of services rendered (<i>Note 2</i>)	145,845	121,006
Depreciation of property, plant and equipment	1,194	1,430
Depreciation of right-of-use assets	1,548	1,668
Net loss on disposals of property, plant and equipment	4	15
Loss on write-off of property, plant and equipment	13	12
	<hr/>	<hr/>

Note 1: There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions during the period and there was zero balance available at the end of reporting period for future use.

Note 2: The cost of services rendered includes employee benefit expenses of approximately HK\$105,919,000 (six months ended 30 September 2022: approximately HK\$85,130,000) incurred in the provision of services which has been included in the employee benefit expenses above.

8. FINANCE COSTS

	For the six months ended	
	30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Leases interest	176	250
Interest on promissory notes	120	120
	<hr/>	<hr/>
	296	370
	<hr/>	<hr/>

9. INCOME TAX CREDIT

	For the six months ended	
	30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:		
Hong Kong	-	-
The PRC	-	3
	<hr/>	<hr/>
	-	3
	<hr/>	<hr/>

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.

Pursuant to the relevant tax law of the Hong Kong Special Administrative Region, the provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2022: 16.5%) to the six months ended 30 September 2023, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime. For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2022.

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% up to 31 December 2023 for being engaged in the encouraged industries in a designated area as pollution prevention and control. 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 2022: 25%) on their assessable profits.

10. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Basic loss per share

The calculation of the basic loss per share is based on the loss for the interim period attributable to owners of the Company of approximately HK\$8,212,000 (six months ended 30 September 2022: approximately HK\$9,491,000), and the weighted average number of ordinary shares of 1,931,069,796 (six months ended 30 September 2022: 1,875,210,780) in issue during the interim period.

Diluted loss per share

The diluted loss per share is the same as the basic loss per share for the six months ended 30 September 2023 and 2022 because the Company's share options outstanding during these periods were anti-dilutive.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2023, the Group acquired items of property, plant and equipment with aggregate cost of approximately HK\$346,000 (six months ended 30 September 2022: approximately HK\$190,000). Items of property, plant and equipment with aggregate carrying amount of approximately HK\$129,000 were written off and disposed during the six months ended 30 September 2023 (six months ended 30 September 2022: approximately HK\$28,000), resulting in a net loss on write-off and disposal of property, plant and equipment of approximately HK\$17,000 (six months ended 30 September 2022: net loss on write-off and disposal of property, plant and equipment of approximately HK\$27,000).

12. INVESTMENT PROPERTIES

	30 September 2023 (Unaudited) HK\$'000	31 March 2023 (Audited) HK\$'000
At the beginning of the period/year	–	2,220
Disposal of investment properties	–	(2,046)
Exchange realignment	–	(174)
	<hr/>	<hr/>
At the end of the period/year	<hr/> –	<hr/> –

13. RIGHT-OF-USE ASSETS

During the six months ended 30 September 2023, the Group entered into a lease agreement for use of properties, and therefore recognised the addition to right-of-use assets of HK\$620,000 (six months ended 30 September 2022: HK\$Nil).

14. TRADE RECEIVABLES

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

	30 September 2023 (Unaudited) HK\$'000	31 March 2023 (Audited) HK\$'000
Within 30 days	47,380	24,677
31 to 60 days	368	23,547
61 to 90 days	7,106	650
91 to 120 days	1,223	57
Over 120 days	1,473	221
	<u>57,550</u>	<u>49,152</u>

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 September 2023 (Unaudited) HK\$'000	31 March 2023 (Audited) HK\$'000
Prepayments	2,890	2,780
Deposits	1,509	5,655
Other receivables	2,245	3,239
Amount due from a related company	7,026	6,933
Less: Impairment loss recognised on other receivables and deposits	(300)	(300)
	<u>13,370</u>	<u>18,307</u>

16. PLEDGED TIME DEPOSITS

At the end of the reporting period, the Group's banking facilities amounting to HK\$40,000,000 (31 March 2023: HK\$40,000,000) were secured by the pledge of certain of the Group's time deposits amounting to approximately HK\$2,083,000 (31 March 2023: approximately HK\$2,079,000), and a property owned by a related company which is controlled by a Director of the Company. The facilities were utilized to the extent of HK\$2,246,000 (31 March 2023: HK\$1,913,000).

17. TRADE PAYABLES

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

	30 September 2023 (Unaudited) HK\$'000	31 March 2023 (Audited) HK\$'000
Within 30 days	12,510	7,047
31 to 60 days	–	5,115
61 to 90 days	10	–
Over 90 days	507	508
	13,027	12,670

18. OTHER PAYABLES AND ACCRUALS

	30 September 2023 (Unaudited) HK\$'000	31 March 2023 (Audited) HK\$'000
Other payables	14,272	12,432
Accruals (<i>Note</i>)	29,058	26,664
	43,330	39,096

Note: Accruals mainly represent the accrued staff costs incurred in the Group.

19. PROMISSORY NOTES PAYABLE

During the year ended 31 March 2021, the Company issued three promissory notes to an investor in the aggregate principal sum of HK\$3,000,000 and bearing interest at 8% per annum. The promissory notes should be repayable in full by 31 January 2023 but the expiry date has been extended to 31 January 2024 by the Company and the investor.

20. DIVIDEND

The Directors do not declare the payment of any interim dividend for the six months ended 30 September 2023 (six months ended 30 September 2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the six months ended 30 September 2023 (the “reporting period”), the Group recorded a remarkable recovery in its cleaning business. The Group’s revenue increased by 19.5% to approximately HK\$153,029,000 (30 September 2022: approximately HK\$128,040,000). The Group’s net loss attributable to the owners of the Group was approximately HK\$8,212,000, whilst the loss attributable to the owners was approximately HK\$9,491,000 for the same period in 2022.

The Group is principally engaged in three business segments: (i) advertising media business, (ii) cleaning and related services business; and (iii) waste treatment business.

Advertising Media Business

Since the second quarter of 2020, the Group’s advertising media business had ceased due to COVID-19 outbreak. The pandemic has had a significant impact on global economies and created unprecedented uncertainty on the pace of economic recovery. Facing this economic difficult time, the management will stay updated on the current trends and development of the market and keep identifying investment opportunities.

Cleaning and Related Services Business

The cleaning industry witnessed a steady growth during the reporting period as social distancing measures continue to relax and the border starting to reopen; the overall economy is slowly recovering from the pandemic. Other factors such as urbanization, and increased awareness of hygiene and cleanliness have contributed to the demand for cleaning services. Although the cleaning industry remains highly competitive, with numerous service providers catering services toward commercial and residential sectors, there’s still a high demand for cleaning services.

Rising labor costs and manpower shortages have posed challenges to the cleaning industry in general. During the reporting period, there was an adjustment made to the statutory minimum wage which required us to reassess our operating budgets and financial plans. As for manpower shortage, an aging population, a low birth rate, and a decline in the number of local workers entering the labor force are some of the contributing factors. Although we faced challenges in meeting customer demands and fulfilling contracts due to shortage of skilled workers, we have made necessary adjustment by focusing on workforce planning to ensure optimal staffing levels and efficient resources allocation.

The implementation of Municipal Solid Waste Charging Scheme would be one of our major challenges ahead as there are still a lot of uncertainties and clients having unrealistic expectation for cleaning service providers. However, we have been taking a proactive role in educating our staff of the changes and equipping ourselves with the necessary information to response to our clients' enquiries.

During the reporting period we have successfully secured a new cleaning contract of a well-known commercial building which helped create synergy between one of our existing clients located nearby. We have also successfully renewed our cleaning contract with one of Hong Kong most prestigious residential estate located in the Southern District.

We have reported an approximate 20% increase in our turnover as compared with the previous period. One of the main reasons is that one of our major customers, Hong Kong's largest airline catering services provider, which provides services to the airline industry, increased their demand for services from us which included the provision of cleaning and other services, such as general cleaning, ware-washing and kitchen cleaning.

Waste Treatment Business

The Group has been exploring with local authorities with respect to setting up new types of business by making use of the existing fixed assets but they were not successful. The Group will continue to look for suitable options in respect of this investment.

Financial Review

The Group's revenue for the reporting period amounted to approximately HK\$153,029,000 (30 September 2022: approximately HK\$128,040,000) represented a 19.5% increase as compared to the corresponding period in 2022. The increase in turnover was mainly due to the surge in demand of services by one of our major customers who operates the largest flight kitchen at Hong Kong International Airport because of the significant increase in international flights during the period when compared with the same period last year when air travel was still quite restricted due to COVID-19. The increase on a period-to-period basis was seven-fold. Furthermore, we also secured a new contract for providing services to its kitchen area for the same customer. This also contributed to the increase in turnover.

The Group's loss on fair value changes at financial assets at fair value through profit or loss for the reporting period was approximately HK\$1,005,000 (30 September 2022: approximately HK\$2,729,000), representing a decrease of the loss approximately HK\$1,724,000 as compared to the same period in 2022. Such decrease was due to the continuous decrease in the fair value of investment funds held by the Group. Other operating expenses, which amounted to approximately HK\$45,492,000 (30 September 2022: approximately HK\$43,019,000), represented a period-to-period 5.7% increase. Such expenses mainly included the costs of services rendered under cleaning and related services business, which accounted for 87.8% of other operating expenses in the reporting period. The increase in other operating expenses was driven by the increasing operating cost in the cleaning businesses due to increased service rendered, offset by the cost of legal and professional fees reduced by 38.0% as compared to the corresponding period in 2022. The Group's net loss attributable to the owners of the Group for the reporting period was approximately HK\$8,212,000 (30 September 2022: approximately HK\$9,491,000). Cleaning and related services business made a loss of approximately HK\$504,000, the advertising media business made a loss of approximately HK\$1,007,000, and the waste treatment business made a loss of approximately HK\$570,000.

Capital Structure, Liquidity and Financial Resources

As at 30 September 2023, the Group's cash and bank balances and pledged time deposits were approximately HK\$66,124,000 (31 March 2023: approximately HK\$72,204,000) and its current ratio was 2.2 (31 March 2023: 2.1).

The Group's net assets as at 30 September 2023 were approximately HK\$97,070,000 (31 March 2023: approximately HK\$105,662,000).

As at 30 September 2023, the Group's gearing ratio was 3.1% (31 March 2023: 2.8%), representing the total interest-bearing debts divided by total equity. The Group had lease liabilities and loans from directors of approximately HK\$6,027,000 and HK\$5,990,000 respectively (31 March 2023: approximately HK\$6,984,000 and HK\$7,047,000 respectively). The Group's shareholders' equity amounted to approximately HK\$97,708,000 as at 30 September 2023 (31 March 2023: approximately HK\$106,110,000).

The Group takes a prudent approach to cash management and risk control. Its revenues, expenses and capital expenditures in relation to cleaning and related services business are transacted in Hong Kong dollars, whereas those of the advertising media and waste treatment businesses are transacted in Renminbi ("RMB"). The Group's cash and bank balances are primarily denominated in HK\$, RMB and United States dollars. Foreign currency risks in relation to exchange rate fluctuations of RMB will be mitigated as future revenues from advertising media business, which are in RMB, can offset future liabilities and expenses.

Prospects

Advertising Media Business

Since the onset of the global pandemic, there has been a sustained decline in market sentiment in this segment. The resumption of the advertising media business segment is temporarily unforeseeable. While identifying new opportunities ahead, the Group will continue to implement its business plan in a prudent manner as and when appropriate.

Cleaning and Related Services Business

All in all, the outlook for our cleaning and related services sector remains positive. The growing emphasis on cleanliness and hygiene, along with the increasing awareness of environmental sustainability, is expected to drive continued demand for our cleaning services. We are committed to staying at the forefront of industry trends, leveraging technology, and continuously improving our operations to deliver high-quality cleaning services and meet the evolving needs of our clients. In conclusion, our cleaning and related services sector has displayed resilience and adaptability during the reporting period. While challenges exist, opportunities for growth and innovation are also present. We remain committed to navigating the industry landscape, delivering exceptional service to our clients, and contributing to the overall cleanliness and hygiene standards in Hong Kong.

Fund Raising Activity

On 31 May 2022, the Company entered into a placing agreement (the “Placing Agreement”) with ASA Securities Limited (the “Placing Agent”) pursuant to which the Placing Agent agreed to place as the Company’s placing agent on a best effort basis of up to 360,973,000 new shares (the “Placing Share(s)”) at the placing price of HK\$0.063 per Placing Share (the “Placing”).

All conditions to the Placing Agreement have been fulfilled and completion of the Placing took place on 21 June 2022 (“Completion”). An aggregate of 126,200,000 Placing Shares have been successfully placed by the Placing Agent to not less than six places at placing price of HK\$0.063 per Placing Share pursuant to the terms and conditions of the Placing Agreement, representing (i) approximately 6.99% of the then existing issued share capital of the Company before Completion; and (ii) approximately 6.54% of the issued share capital of the Company as enlarged by the allotment and issue of 126,200,000 Placing Shares immediately upon Completion.

The gross proceeds from the Placing amounted to HK\$7,950,600 and the net proceeds (after deducting the placing commission and other related expenses and professional fees) from the Placing amounted to approximately HK\$7,763,000. The Company intended to use such net proceeds for the general working capital and future business opportunities and investment. For the details of the Placing, please refer to the announcements of the Company dated 31 May 2022 and 21 June 2022.

The net proceeds from the Placing were fully utilized for the general working capital of the Group including payments and reimbursement of payments for staff costs, rental payment, professional fees and general administrative expenses accrued up to the year ended 31 March 2023.

Save for the aforesaid placing, the Company has not conducted any fund raising activities during the six months ended 30 September 2023.

Interim Dividend

The Board do not recommend the payment of an interim dividend to the shareholders of the Company (the “Shareholders”) for the six months ended 30 September 2023 (30 September 2022: Nil).

Pledge of Assets

As at 30 September 2023, the Group’s banking facilities amounting to HK\$40,000,000 (31 March 2023: HK\$40,000,000) were secured by the pledge of certain of the Group’s time deposits amounting to approximately HK\$2,083,000 (31 March 2023: approximately HK\$2,079,000), and a property owned by a related company which is controlled by a director of the Company. The facilities were utilized to the extent of HK\$2,246,000 (31 March 2023: HK\$1,913,000).

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\$2,246,000 (31 March 2023: approximately HK\$1,913,000) 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 2023 and 31 March 2023.
- (c) As at 31 March 2023, the Group had contingent liabilities as possible claims arising from indemnity related to acquisition of property, plant and equipment of approximately HK\$5,144,000 being equivalent to RMB4,500,000. The Directors did not consider it was probable that a claim would be made against the Group under the above possible claims. During the reporting period, the contracts' term in respect of the breach term clause was discharged as agreements revised and there is no indemnity at the end of the reporting period.

Capital Commitments

As at 30 September 2023, the Group had a total capital commitment of approximately HK\$306,000 (31 March 2023: approximately HK\$7,201,000), contracted for but not provided in the consolidated financial statements.

Future Plans for Material Investments or Capital Assets

The Group did not have future plans for material investments or capital assets.

Material Acquisitions and Disposal of Subsidiaries

There was no material acquisition and disposal of subsidiaries during the period ended 30 September 2023.

Significant Investments

As at 30 September 2023, the Group did not have any significant investment plans.

No Material Changes

Saved as disclosed in this announcement, during the reporting period, there were no material changes affecting the Group's performance that needs to be disclosed under Paragraphs 32 and 40(2) of Appendix 16 to the Listing Rules.

Events Subsequent to the Reporting Period

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

Employees and Remuneration Policies

The total number of employees of the Group as at 30 September 2023 was 1,175 (31 March 2023: 1,144). Total staff costs, including directors' emoluments and net pension contributions, for the reporting period amounted to approximately HK\$113,155,000 (30 September 2022: approximately HK\$91,518,000). The Group provides employees with training programmes to equip them with the latest skills and other benefits including share option scheme.

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

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 September 2023.

CORPORATE GOVERNANCE PRACTICES

Compliance with the Corporate Governance Code

The Board recognises the vital importance of a good corporate governance to the Group's management, success and sustainability. Corporate governance practices would be reviewed from time to time to ensure compliance with the regulatory requirements and to meet the rising expectations of Shareholders and investors relating to corporate value, transparency and accountability of all its operations.

The Company strived to maintain a high standard of corporate governance and complied with the Corporate Governance Code (the "CG Code") as stated in Appendix 14 of the Listing Rules.

The Company has adopted the code provisions in the CG Code as its own code of corporate governance. During the six months ended 30 September 2023, the Directors consider that the Company has complied with all the relevant code provisions set out in the CG Code throughout the reporting period.

Compliance with the Listing Rules

The Company failed to comply with the following requirements during the period from 30 June 2023 to 25 October 2023:

1. Rule 3.05 of the Listing Rules provides that an issuer shall appoint two authorised representatives.
2. Rule 3.28 of the Listing Rules provides that an issuer must appoint an individual as its company secretary who, in the opinion of the Stock Exchange, is capable of discharging the functions of company secretary of the listed issuer by virtue of his/her academic or professional qualifications or relevant experience.

Upon the appointment of Ms. Ying Sui Wa as the Company Secretary and Authorised Representatives on 26 October 2023, the Company complies with the requirements under Rule 3.28 of the Listing Rules and the requirement that an issuer should appoint two authorised representatives under Rule 3.05 of the Listing Rules.

Model Code for Securities Transactions by Directors

The Company has adopted its own code of conduct governing Directors' dealings in the Company's securities (the "Code") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. Specific enquiry has been made to all Directors and all of them have confirmed that they have complied with the Code and the Model Code throughout the six months ended 30 September 2023.

The Company has also established written guidelines on terms no less exacting than the Model Code (the "Employees Written Guidelines") for governing the securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely Mr. Wang Qi, Mr. Yau Pak Yue (chairman) and Mr. Leung Nga Tat, and is responsible for reviewing the Group's financial information and overseeing the Group's financial reporting system and internal control procedures. The Audit Committee is also responsible for reviewing the interim and final results of the Group prior to recommending them to the Board for approval. In performing its duties, it has unrestricted access to personnel, records, and external auditors and senior management.

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2023 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 2023 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
Tsui Kwok Hing
Co-Chairman

Hong Kong, 29 November 2023

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Lo Kou Hong, Mr. Tsui Kwok Hing and Mr. Leung Cheung Hang; two non-executive Directors, namely, Ms. Wang Guan and Mr. Wang Chunping; and three independent non-executive Directors, namely, Mr. Wang Qi, Mr. Yau Pak Yue and Mr. Leung Nga Tat.