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XINHUA NEWS MEDIA HOLDINGS LIMITED

新華通訊頻媒控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 309)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2021

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 2021, together with the comparative figures for the year ended 31 March 2020, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

		2021	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	5	248,183	348,648
Other income and gains	6	49,632	1,177
Other losses	7	(1,173)	(21,377)
Staff costs	8	(194,108)	(256,640)
Depreciation and amortisation		(5,403)	(11,100)
Impairment loss recognised on trade receivables	8	–	(3,132)
Impairment loss recognised on other receivables	8	–	(691)
Loss on fair value changes at financial assets at fair value through profit or loss		(196)	–
Other operating expenses		(75,768)	(102,119)
Fair value loss on investment properties	8, 13	(331)	(1,969)
Finance costs	9	(387)	(358)

		2021	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) before tax	8	20,449	(47,561)
Income tax credits	10	83	1,387
Profit/(loss) for the year		20,532	(46,174)
Other comprehensive income/(loss), net of tax			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations:			
Exchange differences arising during the year		502	(2,107)
Exchange differences reclassified to profit or loss upon disposal of a subsidiary		973	(2,423)
Total comprehensive income/(loss) for the year		22,007	(50,704)
Profit/(loss) for the year attributable to:			
Owners of the Company		20,938	(47,199)
Non-controlling interests		(406)	1,025
		20,532	(46,174)
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		22,554	(51,460)
Non-controlling interests		(547)	756
		22,007	(50,704)
Earning/(loss) per share attributable to owners of the Company			
Basic and diluted	11	HK\$0.0120	HK\$(0.0282)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		12,817	12,571
Investment properties	<i>12</i>	6,390	6,169
Financial assets at fair value through profit or loss	<i>13</i>	7,804	–
Right-of-use assets		4,160	2,440
Deferred tax assets		610	480
Total non-current assets		31,781	21,660
Current assets			
Inventories		149	277
Trade receivables	<i>14</i>	40,169	53,013
Prepayments, deposits and other receivables	<i>15</i>	15,015	12,790
Amount due from a director		60	–
Current tax assets		184	505
Structured deposits	<i>16</i>	7,000	–
Pledged time deposits	<i>17</i>	2,073	2,066
Cash and cash equivalents		93,953	52,294
		158,603	120,945
Non-current assets classified as held for sale	<i>18</i>	5,200	21,475
Total current assets		163,803	142,420
Total assets		195,584	164,080
Current liabilities			
Trade payables	<i>19</i>	9,358	9,654
Other payables and accrued liabilities		35,993	39,398
Amount due to a related company		1,055	1,055
Lease liabilities		2,521	1,742
Loans from a director		6,369	5,834
Promissory notes payable		3,000	–
		58,296	57,683
Liabilities associated with assets classified as held for sale		–	10,625
Total current liabilities		58,296	68,308
Net current assets		105,507	74,112
Total assets less current liabilities		137,288	95,772

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current liabilities		
Lease liabilities	<u>1,958</u>	<u>736</u>
Total non-current liabilities	<u>1,958</u>	<u>736</u>
Net assets	<u>135,330</u>	<u>95,036</u>
EQUITY		
Equity attributable to owners of the Company		
Share capital	18,049	16,759
Reserves	<u>117,000</u>	<u>77,449</u>
	135,049	94,208
Non-controlling interests	<u>281</u>	<u>828</u>
Total equity	<u>135,330</u>	<u>95,036</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Suite 3204, Unit 2A, Block 3, Building D, P.O. Box 1586, Gardenia Court, Camana Bay, Grand Cayman, KY1-100, Cayman Islands. The principal place of business of the Company is located at Unit 407, Fu Hang Industrial Building, 1 Hok Yuen Street East, Hung Hom, Kowloon, Hong Kong.

During the year, 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 consolidated financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand (“HK\$’000”), unless otherwise stated.

2. BASIS OF PREPARATION

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

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

3. 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 2020. 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 – disposed during the year ended 31 March 2020; 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 profit/(loss) before tax. The adjusted profit/(loss) before tax are measured consistently with the Group's profit/(loss) before tax except that interest income, government subsidies, dividend income on financial assets at FVTPL, equity-settled share option expenses, finance costs and unallocated head office and corporate expenses are excluded from such measurement.

Segment liabilities exclude loans from a director 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	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Service income from external customers	248,166	326,021	-	4,933	-	17,539	17	155	248,183	348,648
Other income and gains	148	259	212	246	-	404	228	4	588	913
Total	<u>248,314</u>	<u>326,280</u>	<u>212</u>	<u>5,179</u>	<u>-</u>	<u>17,943</u>	<u>245</u>	<u>159</u>	<u>248,771</u>	<u>349,561</u>
Segment results	<u>2,466</u>	<u>7,323</u>	<u>(6,796)</u>	<u>(32,204)</u>	<u>-</u>	<u>5,755</u>	<u>(1,380)</u>	<u>(1,814)</u>	<u>(5,710)</u>	<u>(20,940)</u>
Reconciliation:										
Unallocated other incomes									48,792	-
Interest income									252	264
Equity-settled share option expenses									(7,237)	(911)
Unallocated expenses									(15,261)	(25,616)
Finance costs									(387)	(358)
Profit/(loss) before tax									20,449	(47,561)
Income tax credits									83	1,387
Profit/(loss) for the year									<u>20,532</u>	<u>(46,174)</u>

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

Segment assets	160,154	114,648	26,690	40,631	-	-	8,740	8,801	195,584	164,080
Total assets									<u>195,584</u>	<u>164,080</u>
Segment liabilities	35,257	36,247	11,827	21,124	-	-	6,801	5,839	53,885	63,210
Reconciliation:										
Loans from a director									6,369	5,834
Total liabilities									<u>60,254</u>	<u>69,044</u>
Other segment information:										
Capital expenditure (Note)	1,264	1,016	582	67	-	23	225	12	2,071	1,118
Depreciation and amortisation	<u>1,089</u>	<u>1,084</u>	<u>492</u>	<u>636</u>	<u>-</u>	<u>1,143</u>	<u>1,092</u>	<u>1,072</u>	<u>2,673</u>	<u>3,935</u>

Note:

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

Geographical information

(a) Revenue from external customers

	2021 HK\$'000	2020 HK\$'000
Hong Kong	248,166	326,021
The People's Republic of China (the "PRC")	17	22,627
	<u>248,183</u>	<u>348,648</u>

(b) Non-current assets

	2021 HK\$'000	2020 HK\$'000
Hong Kong	14,531	5,020
The PRC	17,223	16,610
Macau	27	30
	<u>31,781</u>	<u>21,660</u>

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:

	2021 HK\$'000	2020 HK\$'000
Customer A	N/A	94,659
Customer B	70,882	67,216
Customer C	29,824	N/A
Customer D	<u>25,055</u>	<u>N/A</u>

5. REVENUE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cleaning and related service fee income	248,166	326,021
Advertising media related service fee income	–	4,933
Medical waste treatment income	–	17,539
Waste treatment income	17	155
	<u>248,183</u>	<u>348,648</u>

In 2020, HK\$3,451,000 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:

2021

Segments	Cleaning and related services <i>HK\$'000</i>	Waste treatment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Geographical markets			
Hong Kong	248,166	–	248,166
PRC	–	17	17
Total	<u>248,166</u>	<u>17</u>	<u>248,183</u>
Timing of revenue recognition			
Over time	<u>248,166</u>	<u>17</u>	<u>248,183</u>
Total	<u>248,166</u>	<u>17</u>	<u>248,183</u>

2020

Segments	Cleaning and related services <i>HK\$'000</i>	Advertising media business <i>HK\$'000</i>	Medical waste treatment <i>HK\$'000</i>	Waste treatment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Geographical markets					
Hong Kong	326,021	–	–	–	326,021
PRC	–	4,933	17,539	155	22,627
Total	326,021	4,933	17,539	155	348,648
Timing of revenue recognition					
At a point in time	–	3,992	–	–	3,992
Over time	326,021	941	17,539	155	344,656
Total	326,021	4,933	17,539	155	348,648

6. OTHER INCOME AND GAINS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest income	252	264
Amortisation of deferred income ^(note 1)	–	274
Management fee received	60	60
Government subsidies ^(note 2)	48,761	–
Dividend income on financial assets at FVTPL	31	–
Sundry income	528	579
	49,632	1,177

Note 1: 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.

Note 2: This represented subsidies received by the Group from the Hong Kong Government under the Employment Support Scheme and the one-off subsidy for Transport Trade under Anti-epidemic Fund.

7. OTHER LOSSES

	2021 HK\$'000	2020 HK\$'000
Impairment on intangible assets	200	20,906
Impairment on investment properties	–	13,919
Fair value change on other financial liability	–	(12,973)
Loss/(gain) on disposal of a subsidiary	973	(475)
	<u>1,173</u>	<u>21,377</u>

8. PROFIT/(LOSS) BEFORE TAX

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

	Note	2021 HK\$'000	2020 HK\$'000
Employee benefit expenses (including directors' remuneration)			
Wages, salaries and other benefits		176,968	242,378
Retirement benefit scheme contributions		7,284	9,488
Equity-settled share option expenses		7,237	911
Provision for long service payments		601	2,294
Provision for untaken paid leave		2,018	1,569
Total employee benefit expenses		<u>194,108</u>	<u>256,640</u>
Cost of services rendered*		224,535	303,372
Auditors' remuneration			
– Audit service		710	720
– Non-audit service		37	99
Depreciation on property, plant and equipment		2,673	3,115
Depreciation on right-of-use assets		2,730	7,165
Net gain on disposals of property, plant and equipment		(2)	(30)
Written-off of property, plant and equipment		39	139
Amortisation of intangible assets		–	820
Impairment loss recognised on trade receivables		–	3,132
Impairment loss recognised on other receivables		–	691
Fair value loss on investment properties	12	<u>331</u>	<u>1,969</u>

* The cost of services rendered included employee benefit expenses of approximately HK\$165,991,000 (2020: HK\$225,831,000) incurred in the provision of services which has been included in the employee benefit expenses above.

9. FINANCE COSTS

	2021 HK\$'000	2020 HK\$'000
Lease interest	203	358
Interest on promissory notes	184	–
	<u>387</u>	<u>358</u>

10. INCOME TAX CREDITS

	2021 HK\$'000	2020 HK\$'000
Current tax charge for the year		
Hong Kong	–	430
The PRC	–	1,418
Over-provision in prior years	–	(223)
	<u>–</u>	<u>1,625</u>
Deferred tax	(83)	(3,012)
	<u>(83)</u>	<u>(1,387)</u>
Income tax credits		
	<u>(83)</u>	<u>(1,387)</u>

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% (2020: 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% (2020: 25%) on their assessable profits.

11. EARNING/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Basic and diluted earning/(loss) per share

The calculation of the basic and diluted earning per share amounts is based on the profit for the year attributable to owners of the Company of approximately HK\$20,938,000 (2020: basic and diluted loss per share amounts is based on the loss for the year attributable to owners of the Company of approximately HK\$47,199,000), and the weighted average number of ordinary shares of 1,750,795,823 (2020: 1,675,869,796) in issue during the year.

The diluted earning/(loss) per share is the same as the basic profit/(loss) per share for the years ended 31 March 2021 and 2020 because the Company's share options outstanding during these years were anti-dilutive.

12. INVESTMENT PROPERTIES

	2021 HK\$'000	2020 HK\$'000
At the beginning of the year	6,169	31,521
Transfer from trade receivables	–	8,086
Fair value loss on investment properties	(331)	(1,969)
Impairment	–	(13,919)
Transfer to non-current assets classified as held for sale	–	(15,884)
Exchange realignment	552	(1,666)
	<u>6,390</u>	<u>6,169</u>
At the end of the year	<u>6,390</u>	<u>6,169</u>

The estimated fair value of investment properties as at 31 March 2021 was approximately HK\$6,390,000 (2020: HK\$6,169,000), which has been arrived at on the basis of a valuation carried out by Greater China Appraisal Limited, an independent professional valuer.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 HK\$'000	2020 HK\$'000
Asset management funds	<u>7,804</u>	<u>–</u>

14. TRADE RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Trade receivables	40,344	53,173
Less: Impairment loss recognised on trade receivables	(175)	(160)
	<u>40,169</u>	<u>53,013</u>

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:

	2021 HK\$'000	2020 HK\$'000
Balance at the beginning of the year	160	–
Increase in loss allowance for the year	–	3,132
Transfer to non-current assets classified as held for sale	–	(2,888)
Exchange realignment	15	(84)
	<u>175</u>	<u>160</u>
Balance at the end of the year	<u>175</u>	<u>160</u>

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

	2021 HK\$'000	2020 HK\$'000
Within 30 days	19,735	21,579
31 to 60 days	15,706	21,322
61 to 90 days	4,671	4,823
91 to 120 days	–	5,205
Over 120 days	57	84
	<u>40,169</u>	<u>53,013</u>

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	Total
At 31 March 2021						
Weighted average expected loss rate	0%	0%	0%	0%	93.58%	
Receivable amount (HK\$'000)	40,112	2	–	43	187	40,344
Loss allowance (HK\$'000)	–	–	–	–	175	175
At 31 March 2020						
Weighted average expected loss rate	0%	0%	0%	0%	99.38%	
Receivable amount (HK\$'000)	47,724	5,205	47	36	161	53,173
Loss allowance (HK\$'000)	–	–	–	–	160	160

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Prepayments	2,371	2,444
Deposits	3,063	3,079
Other receivables	22,093	19,644
Amount due from a related company	6,869	7,004
Less: Impairment recognised on other receivables and deposits	(19,381)	(19,381)
	15,015	12,790

The other receivables mainly included the loan receivable (the “Loan”) which 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 ended 31 March 2019, 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.

During the years ended 31 March 2020 and 31 March 2021, no further actions have been taken by the Company. The Company will however, closely monitor the development of the matter and will take appropriate action when necessary.

16. STRUCTURED DEPOSITS

As at 31 March 2021, the Group has principal-protected floating income structured deposits of HK\$7,000,000 (2020: HK\$Nil) issued by banks which carried interest ranging from 0.51% to 0.65% per annum. As the directors of the Company evaluate the performance of the structured deposits on a fair value basis, the Group designated the structured deposits as financial assets at fair value through profit or loss on initial recognition. The fair value of the structured deposits was determined by reference to recent market transaction.

17. 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\$2,073,000 (2020: HK\$2,066,000), and a property owned by a related company which is controlled by a director of the Company.

18. NON-CURRENT ASSETS HELD FOR SALE

The classes of assets and liabilities comprising the disposal group classified as held for sale are as follows:

	Notes	2021 HK\$'000	2020 HK\$'000
<i>(a). Disposal of a subsidiary related to Drama scripts</i>			
Intangible assets			
– Drama Scripts		<u>5,200</u>	<u>5,400</u>
Net assets of disposal of a subsidiary	(a)	<u>5,200</u>	<u>5,400</u>
<i>(b). Disposal of a subsidiary related to an investment property</i>			
Property, plant and equipment			112
Investment property			15,884
Prepayments, deposits and other receivables			22
Deferred tax assets			<u>57</u>
Total assets classified as held for sale			<u>16,075</u>
Trade payables			(10,301)
Other payables and accrued liabilities			<u>(324)</u>
Total liabilities classified as held for sale			<u>(10,625)</u>
Net assets of disposal of a subsidiary	(b)		<u>5,450</u>
Total net assets of disposal of subsidiaries			<u>10,850</u>

Notes:

- (a) In 2020, the directors resolved to dispose of the 100% equity interest in a subsidiary which holding the Drama Scripts. On 19 June 2020, the Company and the original vendor (the “Vendor”) entered into a settlement agreement (“Settlement Agreement”), pursuant to which, the Company disposes of 100% equity interest in the above mentioned subsidiary to the Vendor, and the shares previously issued to the Vendor for acquisition will be disposed of in public market and the proceeds will be paid to the Company accordingly. The assets and liabilities attributable to the subsidiary, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position. During the year and subsequent to the end of the reporting period, the Company still seeking suitable buyer to acquire theses shares in whole.
- (b) In 2020, the directors resolved to dispose of the 100% equity interest in a subsidiary which is holding an investment property. During the year ended 31 March 2021, the Company and the vendor (the “Vendor”) entered into a sales and purchase agreement (“S&P Agreement”), pursuant to which, the Company disposes of 100% equity interest in the above mentioned subsidiary to the Vendor, with the consideration of RMB5,000,000. The assets and liabilities attributable to the subsidiary, which has been sold completed on 7 July 2020.

The proceeds from disposals are expected to be less than the carrying amounts of the relevant intangible assets. Accordingly, impairment losses of HK\$200,000 has been recognised for the year ended 31 March 2021 on intangible assets.

19. TRADE PAYABLES

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	4,594	4,982
31 to 60 days	4,236	4,175
Over 90 days	<u>528</u>	<u>497</u>
	<u>9,358</u>	<u>9,654</u>

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

20. DIVIDEND

The Directors do not recommend the payment of a dividend to shareholders for the year ended 31 March 2021 (2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results

The Group's revenue for the year ended 31 March 2021 amounted to approximately HK\$248,183,000 (2020: HK\$348,648,000), a 28.8% decrease as compared to the previous year. The profit for the year of the Group was approximately HK\$20,532,000 (2020: loss for the year HK\$46,174,000). The cleaning and related services business made a profit of approximately HK\$2,466,000, the advertising media business made a loss of approximately HK\$6,796,000, and the waste treatment business made a loss of approximately HK\$1,380,000.

Revenue dropped by 28.8% because one of the major clients of the Group, which is in the aviation related business which has badly hit by the COVID-19 pandemic, had its business substantially curtailed due to the decline in international travel, which in turn resulted in a significant decrease in demand for services from the Group.

Other income of approximately HK\$49,632,000 mainly consisted of subsidies received by the Group from the Hong Kong Government under the Employment Support Scheme and the One-off Subsidy for Transport Trade under the Anti-epidemic Fund, bank interest income and management fee income (2020: HK\$1,177,000).

Other operating expenses, which amounted to approximately HK\$75,768,000 (2020: HK\$102,119,000), represented a year-to-year 25.8% decrease. Such expenses mainly included the cost of services rendered under cleaning and related services business, accounted for 77.3% of other operating expenses in the current period. The drop in the cost of services rendered was in line with the drop in the revenue.

During the year ended 31 March 2021, other losses of HK\$1,173,000 incurred whereas HK\$21,377,000 losses was noted during the previous year. Other losses mainly represented impairments on intangible assets and investment properties.

Financial Review

As at 31 March 2021, the Group's cash and cash equivalents and pledged time deposits totaled approximately HK\$96,026,000 (2020: HK\$54,360,000) and its current ratio was 2.8 (2020: 2.1). The Group's net assets were approximately HK\$135,330,000 (2020: HK\$95,036,000).

As at 31 March 2021, the Group did not have any bank borrowings but the Group had lease liabilities and loans from a Director of approximately HK\$4,479,000 and HK\$6,369,000 respectively (2020: HK\$2,478,000 and HK\$5,834,000 respectively). The Group's shareholders' equity amounted to approximately HK\$135,049,000 (2020: HK\$94,208,000).

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 advertising media business, which are in RMB, can offset future liabilities and expenses.

As at 31 March 2021, the Group's banking facilities were secured by the pledge of certain of the Group's time deposits amounting to approximately HK\$2,073,000 (2020: HK\$2,066,000) and a property owned by a related company which is controlled by a director of the Company.

Business Review

The Group is principally engaged in three business segments: (i) advertising media business; (ii) cleaning and related services business; and (iii) waste treatment business. During the year ended 31 March 2021, the Group encountered a very challenging business environment. The COVID-19 pandemic outbreak (the "Outbreak") brought massive global economic slowdown, which caused a different degree of impact across the Group's business.

Advertising Media Business

For the year ended 31 March 2021, the Group's advertising media business generated revenue of approximately HK\$Nil (2020: approximately HK\$4,933,000). The Group's advertising media business recorded an operating loss of approximately HK\$6,796,000 for the year ended 31 March 2021 (2020: operating loss of approximately HK\$32,204,000).

Since the Outbreak, the PRC government implemented public health measures and taken various drastic actions in order to slowdown the spread of the Outbreak.

In view of the continuing imposition of policies by the National Radio and Television Administration in relation to restrictions on the shooting, broadcasting and distribution of certain dramas, the Group decided to cease all the related business and its cooperation with other organizations from the second quarter of 2020.

Meanwhile, due to the impact of COVID-19, the Group has also temporarily suspended all its advertising media business in the PRC during the year to minimize the loss.

Cleaning and related services business

The COVID-19 pandemic has been encircling us and the world in the year under review. Thus, making it one of the toughest and most challenging year.

As always, our frontline workforce have to face members of the public and are working in a risky environment more exposed to contracting the COVID-19 virus. It is therefore our responsibility to provide proper and sufficient protective equipment and materials to them because ensuring the health and safety of our employees at work, especially during this critical moment, is our obligation, both legally and morally. Fortunately, none of our employees had been infected.

In the face of the pandemic, stepping up the cleaning services and implementing more frequent disinfections have become a standard part of our services. To fit into such requirements, we have established a “Disinfection Division”, equipped with disinfectants, sanitizers, service vehicles, PPE and application apparatuses to provide a quick response to job demands around the clock when a suspected or confirmed infection case is known and disinfection is required urgently.

The Hong Kong Government announced that the Statutory Minimum Wage rate will be maintained at the existing rate for the coming 2 years probably due to the austere labour market condition and gloomy economic outlook.

In the past year under review, cleaning services were still regarded as our core business and the Group was moving forward along this path. Through fierce competition, we succeeded in obtaining a two-year contract for the provision of cleaning, pest control and other related services for an air cargo terminal. This contract calls for a high degree of safety, specific cleaning technologies whereby our workforce had to attend several training courses and lessons organized by this customer, and special apparatuses to tackle the cleaning requirements.

Contract with a leading flight kitchen for the provision of general cleaning and landscape services for their headquarters building next to the airport was renewed for two years with an option to extend for another two. This flight kitchen, one of the biggest in Hong Kong, has been our business partner for many years and has again expressed confidence in us and loyalty to our services.

The Group succeeded in bidding a three-year contract with an option to renew for another three years for the provision of comprehensive cleaning services for a residential estate, presumably the biggest in Lantau Island in terms of number of domestic flats. The contract commenced on 1 April 2021.

The Group was also successful in winning the tender for a cleaning contract for a top grade office building in Central of which we have been the cleaning contractor for nearly 20 years since its occupation.

Various contracts expired during the year were also renewed ranging from one year to two years.

Waste treatment business

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

Prospects

Advertising Media Business

The slowdown of business activities around the world caused by the Outbreak adversely affect the growth of the business segment.

In current situation, the global pandemic remains uncertain, the dissemination of vaccine is limited, the China-U.S. trade condition continues stalemated, and the populism and protectionism are escalating. All of these have brought more risks and challenges to the local and the global economies.

Looking forward, the post-epidemic era has become a new trend in global economic development. While adapting to the “new normal” under the pandemic and meeting new opportunities ahead, the Company will continue to implement its business plan in a prudent manner.

Cleaning and related services business

This is an unprecedented time for everyone and the situation is changing everyday. We are committed to maintaining our professionalism of our cleaning operations and ensuring that our customers can continue to receive the highest quality services from us without disruption.

Through the recent health crises and the present pandemic, our Group has accumulated solid experience in integrating cleaning and related services in different segments and in tackling problems arising from the infections. All these are the strengths which give the management of the Group optimism and confidence in positive development when the pandemic is over and the economy recovers.

The Government and some disease experts hope that when the majority of the population have been vaccinated, the pandemic would gradually fade out. Let us cross our fingers that it will soon come true.

Summary

With the continuation of the Outbreak, the global business environment remains uncertain and challenging. To prevent the spread of the Outbreak, many countries continue to implement lockdown measures to control social activities, which will inevitably continue to depress business sentiments and investment confidence.

In view of all these, the pace of recovery of global economy is highly unclear, which would make the Group's businesses rather challenging, and would also have impacts on the Group's overall performance. Based on the information currently available on the recent development of the Outbreak in the major regions where the Group has operation, the Directors considered it is difficult to predict the evolution and duration of the Outbreak and that at the date of this announcement, the extent of its impact to the Group's operations cannot be reliably quantified or estimated. Looking forward, the management will continue to closely monitor the situation and will take all necessary and appropriate measures to reduce the impact of the Outbreak to the Group. The management will continue to stay cautious to economic changes and fine tune the Group's development and operation strategy. At the same time, the management will continue seizing business opportunities in a prudent but proactive manner aiming to create value for the Shareholders.

Dividend

The Directors do not recommend the payment of a dividend to shareholders for the year ended 31 March 2021 (2020: Nil).

Use of the Placing Proceeds

During the year ended 31 March 2021, the Group completed the placing of 129,000,000 new shares of the Company under the general mandate. The net proceeds from the placing was approximately HK\$11,050,000 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 2021
1 September 2020	Issued 129,000,000 new shares of the Company under the general mandate. The net proceeds from the placing was approximately HK\$11,050,000.	General working capital of the Group.	Fully utilised as intended at 31 March 2021

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\$15,440,000 (2020: HK\$16,362,000) in respect of certain services provided to various customers by the Group. HK\$1,997,000 has been withdrawn before the date of this announcement.
- (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 2021 and 2020.

As at the date of this announcement, there are no other known material contingent liabilities of the Group not disclosed and there are no legal, administrative or other proceedings pending which would materially affect the Group's financial condition.

Employees and Remuneration Policies

The total number of employees of the Group as at 31 March 2021 was 1,086 (2020: 1,354). Total staff costs, including directors' emoluments and net pension contributions, for the period under review amounted to HK\$194,108,000 (2020: HK\$256,640,000). 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 year.

Share Options

The Board granted a total of 160,800,000 share options on 23 July 2020 to seven Directors, other eligible participants, and a number of employees (the "Grantees"), to subscribe for a total number of 160,800,000 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 Main Board Listing Rules, the details of the share options are as follows: (1) Date of grant: 23 July 2020; (2) Exercise price of the share options granted: HK\$0.094 per share (not less than the highest of (i) the closing price of HK\$0.094 as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of HK\$0.088 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 160,800,000 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 22 July 2030 (both dates inclusive).

Movements of the share options during the year ended 31 March 2021 are listed below in accordance with chapter 17 of the Listing Rules:

Categories	As at 1 April 2020	Granted	Lapsed during the year	During the period		Date of grant of share options	Exercise period of share options	Exercise price for one share HK\$
				Reallocation	As at 31 March 2021			
Directors								
Mr. Chan Chun Wo (removed on 27 April 2020)	14,462,000	-	(14,462,000)	-	-	6/7/2018	6/7/2018 to 5/7/2028	0.278
Ms. Chen Ming (resigned on 31 October 2019, grace period from 30 November 2019 to 29 November 2024)	1,446,000	-	-	(1,446,000)	-	6/7/2018	6/7/2018 to 5/7/2028	0.278
Mr. Lo Kou Hong	-	16,000,000	-	-	16,000,000	23/7/2020	23/7/2020 to 22/7/2030	0.094
Mr. Tsui Kowk Hing	-	16,000,000	-	-	16,000,000	23/7/2020	23/7/2020 to 22/7/2030	0.094
Mr. Fu Jun	-	8,000,000	-	-	8,000,000	23/7/2020	23/7/2020 to 22/7/2030	0.094
Mr. Leung Cheung Hang	-	8,000,000	-	-	8,000,000	23/7/2020	23/7/2020 to 22/7/2030	0.094
Mr. Wang Qi	-	1,600,000	-	-	1,600,000	23/7/2020	23/7/2020 to 22/7/2030	0.094
Mr. Tsang Chi Hon	-	1,600,000	-	-	1,600,000	23/7/2020	23/7/2020 to 22/7/2030	0.094
Mr. Wong Hon Kit	-	1,600,000	-	-	1,600,000	23/7/2020	23/7/2020 to 22/7/2030	0.094
Sub-total	<u>15,908,000</u>	<u>52,800,000</u>	<u>(14,462,000)</u>	<u>(1,446,000)</u>	<u>52,800,000</u>			
Continuous Contracts Employees	17,273,302	-	(4,343,000)	(1,000,000)	11,930,302	6/7/2018	6/7/2019 to 5/7/2028	0.278
	-	86,250,000	(1,100,000)	(7,250,000)	77,900,000	23/7/2020	23/7/2020 to 22/7/2030	0.094
Sub-total	<u>17,273,302</u>	<u>86,250,000</u>	<u>(5,443,000)</u>	<u>(8,250,000)</u>	<u>89,830,302</u>			
Other eligible participants	-	-	-	2,446,000	2,446,000	6/7/2018	6/7/2018 to 5/7/2028	0.278
	-	21,750,000	-	7,250,000	29,000,000	23/7/2020	23/7/2020 to 22/7/2030	0.094
Sub-total	<u>-</u>	<u>21,750,000</u>	<u>-</u>	<u>9,696,000</u>	<u>31,446,000</u>			
Total	<u>33,181,302</u>	<u>160,800,000</u>	<u>(19,905,000)</u>	<u>-</u>	<u>174,076,302</u>			

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.

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 2021, 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:

On 27 April 2020, subsequent to the removal of Mr. Chan Chun Wo as the Co-Chairman of the Board, Co-Chief Executive Officer and an executive Director of the Company, the Co-Chairman of the Board, Mr. Lo Kou Hong and the Co-Chief Executive Officer of the Company, Mr. Tsui Kwok Hing, took over the roles of the Chairman of the Board and the Chief Executive Officer of the Company respectively. On 31 May 2020, Mr. Tsui Kwok Hing resigned from the role as Chief Executive Officer of the Company. After the resignation of Mr. Tsui Kwok Hing, there was a deviation of the CG Code from 1 June 2020 to 13 August 2020 as the Company has no Chief Executive Officer.

On 14 August 2020, Mr. Fu Jun, an executive Director of the Company, was appointed as the Chief Executive Officer of the Company. From 14 August 2020 to 31 March 2021, the Company has fully complied with the CG code after the appointment of Mr. Fu Jun as the Chief Executive Officer of the Company.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and the related notes thereto for the year ended 31 March 2021 as set out in this preliminary announcement have been agreed by the Group's auditor, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2021. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the Listing Rules. As at the date of this announcement, the audit committee of the Company comprised three independent non-executive Directors of the Company, namely, Mr. Tsang Chi Hon (the chairman of the audit committee), Mr. Wang Qi and Mr. Wong Hon Kit. The audit committee has reviewed together with the management of the Company the accounting principles, accounting standards and methods adopted by the Company, discussed the matters concerning internal control, auditing and financial reporting matters and has reviewed the consolidated financial statements of the Group for the year ended 31 March 2021.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 20 September 2021 to 24 September 2021, both days inclusive, during which period no transfer of shares will be registered. In order to qualify to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 17 September 2021.

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 2020/21 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.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to the management team and staff for their tireless dedication that helped fuel the Group's healthy development. In addition, I would also like to thank all our shareholders, business partners and customers for their continuous support. We will continue to devote unwavering efforts to reap promising returns for all parties.

By order of the Board

Xinhua News Media Holdings Limited

Fu Jun

Chief Executive Officer and Executive Director

Hong Kong, 29 June 2021

As at the date of this announcement, the Board comprises four executive Directors, namely, Mr. Lo Kou Hong, Mr. Fu Jun, Mr. Tsui Kwok Hing and Mr. Leung Cheung Hang; and three independent non-executive Directors, namely, Mr. Wang Qi, Mr. Tsang Chi Hon and Mr. Wong Hon Kit.