CNC HOLDINGS LIMITED
中國新華電視控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8356)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2014

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this announcement misleading.

FINANCIAL HIGHLIGHTS

Consolidated Results

For the year ended 31 March

	Changes	2014	2013
		HK$'000	*HK$'000*
			(Restated)
Revenue	10.7%	**324,331**	293,034
Gross profit	11.9%	**50,100**	44,782
Loss before income tax	294.5%	**(483,513)**	(122,579)
Loss attributable to owners of the Company	271.2%	**(431,292)**	(116,189)
Basic loss per Share	262.2%	**(25.14)**	(6.94)
Dividend per Share (HK cents)	N/A	**N/A**	N/A

Consolidated Financial Position

As at 31 March

	Changes	2014	2013
		HK$'000	*HK$'000*
			(Restated)
Total assets	-57.3%	**332,957**	779,346
Cash and cash equivalents	-43.1%	**20,609**	36,229
Total liabilities	-9.1%	**740,896**	815,449
Equity attributable to owners of the Company	-1,029.9%	**(407,939)**	(36,103)

Ratios

As at 31 March

	2014	2013
		(Restated)
Return on equity *(Note a)*	**N/A**	N/A
Return on assets *(Note b)*	**-129.5%**	–14.9%
Current ratio *(Note c)*	**0.18 time**	1.19 times
Gearing ratio *(Note d)*	**178.8%**	82.8%

Notes:

(a) Return on equity is calculated as net loss divided by shareholders' equity.

(b) Return on assets is calculated as net loss divided by total assets.

(c) Current ratio is calculated as total current assets divided by total current liabilities.

(d) Gearing ratio is calculated as total amount of borrowings, promissory note, convertible notes, finance lease payables and advance received from customers divided by total assets.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

"Board"	the board of Directors
"BVI"	the British Virgin Islands
"China Xinhua NNC"	China Xinhua News Network Co., Limited (中國新華新聞電視網有限公司), a company incorporated in Hong Kong and a wholly-owned subsidiary of Xinhua News Agency (新華社) and a Shareholder of the Company
"CNC China"	中國新華新聞電視網有限公司, a company incorporated in the PRC, which owns 100% of the equity interests in China Xinhua NNC, a wholly-owned subsidiary of Xinhua News Agency and a substantial Shareholder of the Company
"Company"	CNC Holdings Limited (中國新華電視控股有限公司), a company incorporated in the Cayman Islands with limited liability on 15 March 2010
"Director(s)"	director(s) of the Company
"Financial Statements"	the audited financial statements of the Group for the year ended 31 March 2014
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Government"	the Government of Hong Kong
"Group"	the Company and its subsidiaries
"HK$" and "HK cent(s)"	Hong Kong dollar(s) and cent(s), respectively, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Macau"	the Macau Special Administrative Region of the PRC

"PRC"	the People's Republic of China, excluding Hong Kong, Macau and Taiwan
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended or otherwise modified from time to time
"Share(s)"	ordinary share(s) of the Company
"Share Option Scheme"	the share option scheme of the Company adopted on 11 August 2010
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"WSD"	Water Supplies Department of the Government (水務署)
"Xinhua TV Asia-Pacific"	Xinhua TV Asia-Pacific Operating Co., Limited (新華電視亞太台運營有限公司), a company incorporated in Hong Kong with limited liability on 22 December 2009 and an indirect wholly-owned subsidiary of the Company
"%"	per cent

The Board is pleased to present the audited consolidated results of the Group for the year ended 31 March 2014 together with the comparative figures for 2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2014

	Notes	**2014** **HK$'000**	2013 *HK$'000* (Restated)
Revenue	*4*	**324,331**	293,034
Cost of services		**(274,231)**	(248,252)
Gross profit		**50,100**	44,782
Other income	*5*	**30,961**	28,829
Other gains and losses	*6*	**(3,307)**	488
Amortisation expenses		**(59,463)**	(60,474)
Selling and distribution expenses		**(85)**	(423)
Administrative expenses		**(29,706)**	(27,615)
Loss from operations	*8*	**(11,500)**	(14,413)
Finance costs	*9*	**(42,041)**	(41,425)
Impairment loss recognised in respect of trade receivables		**(9,469)**	–
Impairment loss recognised in respect of goodwill		**(151,194)**	–
Impairment loss recognised in respect of intangible assets		**(269,309)**	–
Impairment loss recognised in respect of available-for-sale financial assets		**–**	(66,741)
Loss before income tax		**(483,513)**	(122,579)
Income tax	*10*	**52,221**	6,390
Loss for the year		**(431,292)**	(116,189)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**45**	–
Other comprehensive income for the year, net of income tax		**45**	–
Total comprehensive loss for the year		**(431,247)**	(116,189)
Loss for the year attributable to owners of the Company		**(431,292)**	(116,189)
Total comprehensive loss for the year attributable to owners of the Company		**(431,247)**	(116,189)
Loss per share attributable to owners of the Company – Basic and diluted (HK cents)	*12*	**(25.14)**	(6.94)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2014

	Notes	**31/3/2014**	31/3/2013	1/4/2012
		HK$'000	*HK$'000*	*HK$'000*
			(Restated)	
Non-current assets				
Property, plant and equipment		**45,184**	32,205	20,648
Goodwill		**–**	151,194	151,194
Intangible assets		**163,040**	490,581	549,306
Available-for-sale financial assets		**400**	400	67,141
		208,624	674,380	788,289
Current assets				
Inventories		**14,955**	22,251	22,286
Film rights		**–**	–	–
Trade and other receivables	*13*	**77,804**	46,174	56,773
Pledged bank deposits		**–**	–	2,005
Financial assets at fair value through profit or loss		**10,485**	–	–
Tax recoverable		**480**	312	1,134
Cash and cash equivalents		**20,609**	36,229	10,011
		124,333	104,966	92,209
Total assets		**332,957**	779,346	880,498
Current liabilities				
Trade and other payables	*15*	**107,063**	79,998	77,616
Finance lease payables		**3,345**	2,751	1,676
Borrowings		**–**	–	3,208
Employee benefits		**2,095**	2,351	1,951
Promissory note		**44,609**	–	–
Convertible notes		**543,234**	–	–
Current tax liabilities		**7,087**	3,398	–
		707,433	88,498	84,451

	Notes	**31/3/2014** *HK$'000*	31/3/2013 *HK$'000* (Restated)	1/4/2012 *HK$'000*
Net current (liabilities)/assets		**(583,100)**	16,468	7,758
Total assets less current liabilities		**(374,476)**	690,848	796,047
Non-current liabilities				
Other payables	*15*	**–**	2,217	866
Finance lease payables		**4,037**	3,339	2,530
Promissory note		**–**	43,440	42,336
Convertible notes		**–**	592,787	584,365
Deferred tax liabilities		**29,426**	85,168	95,457
		33,463	726,951	725,554
Total liabilities		**740,896**	815,449	810,005
Net (liabilities)/assets		**(407,939)**	(36,103)	70,493
Capital and reserves				
Share capital	*16*	**1,980**	1,674	1,664
Reserves	*17*	**(409,919)**	(37,777)	68,829
Total equity		**(407,939)**	(36,103)	70,493

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2014

	Share capital *HK$'000* *(Note 16)*	Share premium *HK$'000* *(Note 17)*	Convertible notes equity reserves *HK$'000* *(Note 17)*	Foreign currency translation reserves *HK$'000* *(Note 17)*	Other reserves *HK$'000* *(Note 17)*	Accumulated losses *HK$'000* *(Note 17)*	Total equity *HK$'000*
At 1 April 2012	1,664	725,506	17,381	–	9,868	(683,926)	70,493
Loss and total comprehensive loss for the year	–	–	–	–	–	(116,189)	(116,189)
Issue of Shares pursuant to the placing	10	9,990	–	–	–	–	10,000
Share placement expenses	–	(407)	–	–	–	–	(407)
At 31 March 2013 and 1 April 2013	1,674	735,089	17,381	–	9,868	(800,115)	(36,103)
Loss for the year	–	–	–	–	–	(431,292)	(431,292)
Other comprehensive income for the year, net of tax:							
Items that may be classified subsequently to profit or loss:							
Exchange differences on translating foreign operations	–	–	–	45	–	–	45
Total comprehensive income/(loss) for the year	–	–	–	45	–	(431,292)	(431,247)
Issue of Shares pursuant to conversion of convertible notes	306	60,823	(1,718)	–	–	–	59,411
At 31 March 2014	**1,980**	**795,912**	**15,663**	**45**	**9,868**	**(1,231,407)**	**(407,939)**

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

The Company was incorporated in the Cayman Islands on 15 March 2010 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The registered office and principal place of business of the Company are located at the offices of Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and Rooms 2601-2605, 26/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong respectively.

The Shares of the Company were listed on GEM of the Stock Exchange on 30 August 2010.

The principal activities of the Company are investment holding, provision of management services, television broadcasting business and large outdoor display screen advertisement business. The principal activities of its subsidiaries are provision of waterworks engineering services for the public sector in Hong Kong, television broadcasting business in the Asia Pacific region (excluding the PRC) in return for advertising and related revenue and large outdoor display screen advertisement business in the PRC.

As at 31 March 2014, the major Shareholder of the Company is China Xinhua NNC, a company incorporated in Hong Kong.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has adopted all the new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for annual periods on or after 1 April 2013.

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009-2011 Cycle
HKFRS 1 (Amendments)	Government Loan
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except for the amendments to HKAS 1 and HKFRS 11, the application of these new HKFRSs has no material impact on the results and the financial position of the Group.

The nature of the impending changes in accounting policy on adoption of the amendments to HKAS 1 is described below.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012.

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

HKFRS 11 Joint Arrangements

Under HKFRS 11, classification of joint arrangements focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; Joint ventures are accounted for under the equity method. Proportional consolidation of joint ventures is no longer permitted.

Upon the application of HKFRS 11, the Directors concluded that all of the Group's unincorporated joint arrangements that were previously classified as joint ventures under HKAS 31 and accounted for using the equity method, should be classified as joint operations under HKFRS 11 taking into account the relevant joint arrangement agreements that specify that the parties to the joint arrangements have rights to the assets and obligations to the liabilities relating to the joint arrangements. Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards. The comparative figures have been restated to reflect the change (see below for details).

The Directors reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of HKFRS 11. The Directors concluded that the Group's investments in jointly controlled entities under HKAS 31 during year ended 31 March 2013 and were accounted for using the equity method, should be classified as joint operations under HKFRS 11.

The change in accounting of the Group's investments in joint operations has been applied in accordance with the relevant transitional provisions set out in HKFRS 11. Comparative amounts for 2013 have been restated to reflect the change in accounting for the Group's investments in joint operations. As the initial investment in joint operations was happened during the year ended 31 March 2013, the retrospective restatement would have no effect on the information in the consolidated statement of financial position at the beginning of the preceding period.

The effect of the application of HKFRS 11 on the Group's consolidated financial statements for the year ended 31 March 2013 are as follows:

Impact on the results for the year ended 31 March 2013 by line items presented in the consolidated statement of profit or loss and other comprehensive income is as follows:

	2013 *HK$'000*
Increase in revenue	1,212
Decrease in share of profit of jointly controlled entities	(1,012)
Increase in income tax	(200)
Net change in loss for the year	–

There is no impact on earnings per share.

Impact on the consolidated statement of financial position of the Group as at 31 March 2013 is as follows:

	At 31 March 2013 (previously stated)	**Adjustments for HKFRS 11**	**At 31 March 2013 (restated)**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Jointly controlled entities	1,012	(1,012)	–
Current assets			
Trade and other receivables	43,709	2,465	46,174
Cash and cash equivalents	33,266	2,963	36,229
Current liabilities			
Trade and other payables	(75,782)	(4,216)	(79,998)
Current tax liabilities	(3,198)	(200)	(3,398)
Other assets and liabilities	(35,110)	–	(35,110)
Net liabilities	(36,103)	–	(36,103)

Impact on consolidated statement of cash flows are as follows:

	2013
	HK$'000
Increase in net cash inflow from operating activities	2,963
Increase in net cash outflow from investing activities	–
Increase in net cash inflow from financing activities	–
Net increase in cash and cash equivalents	2,963

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions[2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[1]
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting[1]
HKFRSs (Amendments)	Annual Improvements to HKFRS 2010 – 2012 Cycle[5]
HKFRSs (Amendments)	Annual Improvements to HKFRS 2011 – 2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
HKFRS 9, HKFRS 7 and HKAS 39 (Amendments)	Hedge Accounting and Amendments to HKFRS 9, HKFRS 7 and HKAS 39[3]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities[1]
HKFRS 14	Regulatory Deferral Accounts[4]
HK(IFRIC) – Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

3 No mandatory effective date yet determined but is available for adoption.

4 Effective for annual periods beginning on or after 1 January 2016.

5 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described below:

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

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

The date when entities would be required to apply HKFRS 9 was previously stated at 1 January 2015. This mandatory effective date has been removed to provide sufficient time for preparers of financial statements to make the transition to the new requirements, which will now become effective from a later date yet to be announced.

The Directors anticipate that the adoption of HKFRS 9 in the future may have a significant impact on amounts reported in respect of Group's financial assets and financial liabilities (e.g. the Group's available-for-sale financial assets may have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). Regarding the Group's financial assets, it is not practical to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to HKFRS 7 and HKAS 32 – Offsetting Financial Assets and Financial Liabilities and the related disclosures

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The Directors anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – Investment Entities

The Investment Entities amendments apply to a particular class of business that qualify as investment entities. The term "investment entity" refers to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds.

Under HKFRS 10, reporting entities were required to consolidate all investees that they control (i.e. all subsidiaries). Preparers and users of financial statements have suggested that consolidating the subsidiaries of investment entities does not result in useful information for investors. Rather, reporting all investments, including investments in subsidiaries, at fair value, provides the most useful and relevant information.

In response to this, the amendments provide an exception to the consolidation requirements in HKFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities.

The amendments are effective from 1 January 2014 with early adoption permitted in order to allow investment entities to apply the amendments at the same time they first apply the rest of HKFRS 10.

The Directors anticipate that the application of these amendments to HKFRS 10, HKFRS 12 and HKFRS 27 (2011) will have no material impact on the Group's financial performance and positions.

Amendments to HKAS 39 – Novation of Derivatives and Continuation of Hedge Accounting

The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

This relief has been introduced in response to legislative changes across many jurisdictions that would lead to the widespread novation of over-the-counter derivatives. These legislative changes were prompted by a G20 commitment to improve transparency and regulatory oversight of over-the-counter derivatives in an internationally consistent and non-discriminatory way.

Similar relief will be included in HKFRS 9.

The amendments will be effective for annual periods beginning on or after 1 January 2014 and applied retrospectively. Earlier application is permitted.

The Directors anticipate that the application of these amendments to HKAS 39 will have no material impact on the Group's financial performance and positions.

HK(IFRIC) – Int 21 Levies

HK (IFRIC) – Int 21 is an interpretation of HKAS 37 and addresses how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements. The principal question raised was about when the entity should recognise a liability to pay a levy. It clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. HK(IFRIC) – Int 21 is effective for annual periods beginning on or after 1 January 2014 with earlier application permitted.

3. BASIS OF PRESENTATION

(a) Statement of compliance

The Financial Statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "HKFRSs") issued by the HKICPA and the disclosure requirements of Hong Kong Companies Ordinance. In addition, the Financial Statements include applicable disclosures required by the GEM Listing Rules.

(b) Going concern

In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group notwithstanding that:

- The Group has incurred a net loss of approximately HK$431,292,000 during the year ended 31 March 2014 and, as of that date, the Group had net current liabilities and net liabilities of approximately HK$583,100,000 and HK$407,939,000 respectively; and

- The Group had promissory note of approximately HK$44,609,000 and convertible notes of approximately HK$543,234,000 which are due within the next twelve months after 31 March 2014.

The Directors adopted the going concern basis in the preparation of the Financial Statements and implemented the following measures in order to improve the working capital and liquidity and cash flow position of the Group:

(1) Financial supports

China Xinhua NNC, one of the major Shareholders and convertible note holders, has confirmed to provide continuing financial support to the Group to enable it to continue as a going concern and to settle the liabilities as and when they fall due.

(2) Conversion of convertible notes

Subsequent to 31 March 2014, the Group received a conversion notice dated 19 May 2014 from a convertible note holder, APT Satellite TV Development Limited, in respect of the exercise of the subscription rights attached to the convertible notes in full to convert HK$35,000,000 of the principal amount of the convertible notes.

Subsequent to 31 March 2014, the Group received a conversion notice dated 20 May 2014 from a convertible note holder, China Xinhua NNC, in respect of the exercise of the subscription rights attached to the convertible notes to convert an aggregate of HK$20,000,000 of the principal amount of the convertible notes.

(3) Alternative source of financing

The Group is actively considering to raise new capital by carrying out fund raising activities including but not limited to rights issue, open offer, placing of new shares and issuance of convertible note.

In the opinion of the Directors, in light of the various measures/arrangements implemented after the end of the reporting period, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to remain a commercially viable concern. Accordingly, the Directors are satisfied that it is appropriate to prepare the Financial Statements on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effect of these adjustments has not been reflected in the Financial Statements.

(c) Basis of measurement

The Financial Statements have been prepared under the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics when pricing the asset or liability at the measurement date.

The accounting policies and methods of computation used in the preparation of the Financial Statements are consistent with those adopted in the annual report for the year ended 31 March 2013, except for the adoption of new and revised HKFRSs as disclosed in note 2.

(d) Functional and presentation currency

The Financial Statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company. All values are rounded to the nearest thousand dollars (HK$'000) except otherwise indicated.

4. REVENUE

Revenue recognised during the years ended 31 March 2014 and 2013 are as follows:

	2014	2013
	HK$'000	*HK$'000*
		(Restated)
Revenue		
Construction works	**303,384**	281,243
Advertising income	**20,947**	11,791
	324,331	293,034

5. OTHER INCOME

Other income recognised during the years ended 31 March 2014 and 2013 are as follows:

	2014	2013
	HK$'000	*HK$'000*
		(Restated)
Interest income	**18**	33
Waiver of the interests on convertible notes	**30,691**	28,602
Sundry income	**252**	194
	30,961	28,829

6. OTHER GAINS AND LOSSES

Other gains and losses recognised during the years ended 31 March 2014 and 2013 are as follows:

	2014	2013
	HK$'000	*HK$'000*
		(Restated)
Exchange gain, net	**1**	94
Net (losses)/gains on disposal of property, plant and equipment	**(13)**	394
Realised loss arising on change in fair value of financial assets at fair value through profit or loss	**(1,311)**	–
Unrealised loss arising on change in fair value of financial assets at fair value through profit or loss	**(1,984)**	–
	(3,307)	488

7. SEGMENT INFORMATION

Information reported to the executive Directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided are:

(i) Provision of waterworks engineering services – provision of waterworks engineering services, road works and drainage services and site formation works for public sector in Hong Kong;

(ii) Television broadcasting business – the business of broadcasting television programmes on television channels operated by television broadcasting companies in the Asia-Pacific region (excluding the PRC) in return for advertising and related revenue; and

(iii) Large outdoor display screen advertisement business – the business of broadcasting advertisements on the large outdoor display screens in the PRC.

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment.

For the year ended 31 March 2014

	Provision of waterworks engineering services	Television broadcasting business	Large outdoor display screen advertisement business	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	303,384	16,932	4,015	–	324,331
Inter-segment sales	–	1,288	–	(1,288)	–
Other income and gains	252	–	–	–	252
Reportable segment revenue	303,636	18,220	4,015	(1,288)	324,583
Reportable segment results	28,074	(480,894)	2,037		(450,783)
Unallocated corporate income					55,323
Unallocated expenses					(46,012)
Finance costs					(42,041)
Loss before income tax					(483,513)

For the year ended 31 March 2013 (restated)

	Provision of waterworks engineering services *HK$'000*	Television broadcasting business *HK$'000*	Total *HK$'000*
Revenue from external customers	281,243	11,791	293,034
Other income and gains	454	110	564
Reportable segment revenue	281,697	11,901	293,598
Reportable segment results	27,184	(55,846)	(28,662)
Unallocated corporate income			28,753
Unallocated expenses			(81,245)
Finance costs			(41,425)
Loss before income tax			(122,579)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the year ended 31 March 2013.

Segment profit/(loss) respects the profit earned/loss incurred by each segment without allocation of interest income, finance costs, realised loss arising on change in fair value of financial assets at fair value through profit or loss, unrealised loss arising on change in fair value of financial assets at fair value through profit or loss and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

As at 31 March 2014

	Provision of waterworks engineering services *HK$'000*	Television broadcasting business *HK$'000*	Large outdoor display screen advertisement business *HK$'000*	Total *HK$'000*
Segment assets	**118,012**	**165,051**	**11,027**	**294,090**
Unallocated				**38,867**
Consolidated assets				**332,957**
Segment liabilities	**53,005**	**25,754**	**140**	**78,899**
Unallocated				**661,997**
Consolidated liabilities				**740,896**

As at 31 March 2013 (restated)

	Provision of waterworks engineering services *HK$'000*	Television broadcasting business *HK$'000*	Total *HK$'000*
Segment assets	85,081	643,129	728,210
Unallocated			51,136
Consolidated assets			779,346
Segment liabilities	45,878	20,069	65,947
Unallocated			749,502
Consolidated liabilities			815,449

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than items of available-for-sale financial assets, financial assets at fair value through profit or loss, cash and cash equivalents, tax recoverable and assets for corporate use. Goodwill is allocated to television broadcasting business; and,

- all liabilities are allocated to operating segments other than borrowings, convertible notes, current and deferred tax liabilities, finance lease payables and promissory note.

Other segment information

For the year ended 31 March 2014

	Provision of waterworks engineering services *HK$'000*	Television broadcasting business *HK$'000*	Large outdoor display screen advertisement business *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Additions to non-current assets	**16,315**	**7**	**11,753**	**79**	**28,154**
Depreciation of property, plant and equipment	**11,633**	**1**	**1,186**	**2,297**	**15,117**
Amortisation of film rights	**–**	**1,231**	**–**	**–**	**1,231**
Amortisation of intangible assets	**–**	**58,232**	**–**	**–**	**58,232**
Net losses on disposal of property, plant and equipment	**13**	**–**	**–**	**–**	**13**
Impairment loss recognised in respect of goodwill	**–**	**151,194**	**–**	**–**	**151,194**
Impairment loss recognised in respect of intangible assets	**–**	**269,309**	**–**	**–**	**269,309**
Impairment loss recognised in respect of trade receivables	**–**	**9,469**	**–**	**–**	**9,469**

For the year ended 31 March 2013

	Provision of waterworks engineering services *HK$'000*	Television broadcasting business *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Additions to non-current assets	14,244	1,749	8,330	24,323
Depreciation of property, plant and equipment	9,206	–	1,385	10,591
Amortisation of film rights	–	1,749	–	1,749
Amortisation of intangible assets	–	58,725	–	58,725
Net gains on disposal of property, plant and equipment	394	–	–	394
Impairment loss recognised in respect of available-for-sale financial assets	–	–	66,741	66,741

Information about geographical areas

The Group's operations are mainly located in Hong Kong and the PRC. The following table provides an analysis of the Group's revenue by location of customers:

	2014	2013
	HK$'000	*HK$'000*
		(Restated)
Hong Kong	**320,916**	293,034
PRC	**2,632**	–
Overseas	**783**	–
	324,331	293,034

The following is an analysis of the carrying amount of non-current assets (excluding available-for-sale financial assets) analysed by the geographical area in which the assets are located:

	2014	2013
	HK$'000	*HK$'000*
Hong Kong	**197,609**	673,980
PRC	**10,615**	–
	208,224	673,980

Information about major customers

For the year ended 31 March 2014, included in revenue arising from provision of waterworks engineering services of approximately HK$303,384,000 (2013: HK$281,243,000) are revenue generated from three (2013: three) customers amounting to approximately HK$263,980,000 (2013: HK$261,431,000) has individually accounted for over 10% of the Group's total revenue. No other single customers contributed 10% or more to the Group's revenue for the years ended 31 March 2014 and 2013.

Revenue from major customers is as follows:

	2014	2013
	HK$'000	*HK$'000*
		(Restated)
Customer A	**12,936**	47,124
Customer B	**26,468**	60,397
Customer C	**142,130**	153,910
Customer D	**83,737**	7,560
Customer E	**38,113**	12,116
Others	**20,947**	11,927
	324,331	293,034

8. LOSS FROM OPERATIONS

Loss from operations has been arrived at after charging:

	2014	2013
	HK$'000	*HK$'000*
Contract costs recognised as expenses	**264,671**	241,542
Amortisation of film rights (included in amortisation expenses)	**1,231**	1,749
Amortisation of intangible assets (included in amortisation expenses)	**58,232**	58,725
Television broadcasting right fee and television satellite fees (included in cost of services)	**8,361**	6,710
Auditor's remuneration	**680**	600
Depreciation of property, plant and equipment*	**15,117**	10,591
Staff costs	**72,703**	61,952
Operating lease rentals in respect of rented premises	**19,870**	15,093

* Depreciation of property, plant and equipment of approximately HK$1,423,000 (2013: HK$1,679,000) and HK$1,199,000 (2013: nil) have been separately expensed in contract costs recognised as expenses and cost of services respectively.

9. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Interest on:		
Finance lease payables	**222**	187
Borrowings wholly repayable within five years	**21**	10
Promissory note	**2,520**	2,455
Convertible notes	**39,278**	38,773
	42,041	41,425

10. INCOME TAX

The amount of income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	2014	2013
	HK$'000	*HK$'000*
		(Restated)
Current tax – Hong Kong profits tax		
– tax for the year	**4,040**	3,899
– over-provision in respect of prior years	**(519)**	–
	3,521	3,899
Deferred tax		
– current year	**(55,742)**	(10,289)
Income tax credit	**(52,221)**	(6,390)

Hong Kong profits tax is calculated at 16.5% (2013: 16.5%) on the estimated assessable profits for the year.

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Company and its subsidiaries incorporated in the BVI are not subject to any income tax in the Cayman Islands and the BVI respectively.

No provision for Macau profits tax has been made as the subsidiary incorporated in Macau had no assessable profits arising in Macau during the years ended 31 March 2014 and 2013.

No provision for PRC Enterprise Income tax has been made as the subsidiary incorporated in the PRC had no assessable profits arising in the PRC during the year ended 31 March 2014.

The income tax for the year can be reconciled to the loss before income tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2014		2013	
	HK$'000	*%*	*HK$'000*	*%*
			(Restated)	
Loss before income tax	**(483,513)**		(122,579)	
Tax calculated at rates, applicable to profits in the countries concerned	**(79,861)**	**16.5**	(20,225)	16.5
Tax effect of expenses not deductible for tax purposes	**25,686**	**(5.3)**	11,606	(9.5)
Tax effect of income not taxable for tax purpose	**(3)**	**–**	(3)	–
Over-provision in respect of prior years	**(519)**	**–**	–	–
Tax effect of temporary difference not recognised	**200**	**–**	–	–
Tax effect of tax losses not recognised	**2,276**	**(0.5)**	2,232	(1.8)
Income tax credit	**(52,221)**	**10.7**	(6,390)	5.2

11. DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31 March 2014 (2013: Nil).

12. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic and diluted loss per Share attributable to owners of the Company is based on the following data:

	2014	2013
	HK$'000	*HK$'000*
Loss for the purpose of basic and diluted loss per Share	**(431,292)**	(116,189)
	Number of shares	
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic loss per Share	**1,715,272**	1,674,434

Diluted loss per Share for the years ended 31 March 2014 and 2013 are the same as the basic loss per Share as the convertible notes outstanding at the end of the reporting period had an anti-dilutive effect on the basic loss per Share.

13. TRADE AND OTHER RECEIVABLES

	2014	2013
	HK$'000	*HK$'000*
		(Restated)
Trade receivables *(note (i), (iii))*	**40,234**	5,567
Allowance for doubtful debts	**(9,469)**	–
	30,765	5,567
Retention receivables *(note (ii), (iii)), (note 14)*	**5,974**	7,896
Other receivables and prepayments *(note (iv))*	**36,498**	21,826
Amount due from a substantial Shareholder *(note (v))*	**91**	–
Amounts due from customers for contract works *(note 14)*	**–**	2,580
Deposits	**4,476**	8,305
	77,804	46,174

Notes:

(i) Trade receivables as at the end of the reporting period mainly derived from provision of construction works on civil engineering contracts. The related customers are mainly government department/organisation and reputable corporations. The Group does not hold any collateral over these balances.

Included in trade and other receivables are trade receivables (net of impairment losses) with the following ageing analysis as of the end of reporting period:

	2014	2013
	HK$'000	*HK$'000*
		(Restated)
Current or less than 1 month	**30,742**	5,567
More than 3 months but less than 12 months	**23**	–
	30,765	5,567

The Group grants an average credit period of 30 days (2013: 30 days) to its trade customers of contract works. Application for progress payments of contract works is made on a regular basis.

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

	2014	2013
	HK$'000	*HK$'000*
Overdue by:		
90 – 120 days	**23**	–

Movements in the allowance for doubtful debts

	2014	2013
	HK$'000	*HK$'000*
Balance at the beginning of the year	**–**	–
Impairment loss recognised on trade receivables	**9,469**	–
Balance at the end of the year	**9,469**	–

(ii) Retention monies withheld by customers of contract works are released after the completion of maintenance period of the relevant contract or in accordance with the terms specified in the relevant contract.

(iii) Trade and other receivables are short term and hence the Directors consider the carrying amounts of trade and other receivables approximate their fair values at the end of reporting periods.

(iv) It mainly consists of prepayments for insurance and advance payment to subcontractors.

(v) Amount due from a substantial Shareholder is unsecured, interest-free and recoverable on demand.

14. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORKS

	2014	2013
	HK$'000	*HK$'000*
		(Restated)
Contracts in progress at the end of the reporting period:		
Contract costs incurred to date plus recognised profits	**923,860**	620,475
Less: recognised losses	**–**	–
	923,860	620,475
Progress billings	**(923,860)**	(617,895)
	–	2,580
Analysed for reporting purposes as:		
Amounts due from customers for contract works *(note 13)*	**–**	2,580

"Contract costs incurred to date plus recognised profits" comprise direct materials, costs of subcontracting, direct labour, an appropriate portion of variable and fixed construction overheads and gross profit earned to date of the contracts, which is measured by reference to the certification by architects.

"Progress billings" represent the amounts billed to the customers for work performed up to the end of reporting period.

At 31 March 2014, retentions held by customers for contract works included in other receivables (note 13) amounted to approximately HK$5,974,000 (2013: HK$7,896,000).

At 31 March 2014, the Group did not have any advances received from customers included in other payables (note 15) under current liabilities (2013: HK$2,800,000).

15. TRADE AND OTHER PAYABLES

	2014	2013
	HK$'000	*HK$'000*
		(Restated)
Trade payables	**36,401**	30,119
Retention money payables	**7,723**	3,955
Advances received from customers *(note (i)) (note 14)*	**–**	2,800
Amount due to a Shareholder *(note (ii))*	**19,112**	18,060
Amounts due to Directors *(note (iv))*	**12,858**	–
Deferred revenue	**3,857**	–
Interest payables	**13,501**	13,421
Amount due to a related party *(note (iii))*	**2,009**	2,009
Other payables and accruals	**11,602**	11,851
	107,063	82,215
Less:		
Interest payable – non-current portion	**–**	(2,217)
	107,063	79,998

Notes:

(i) Advances received from customers were unsecured, interest free and repayable on demand.

(ii) Amount due to a Shareholder represented amount due to a major Shareholder, China Xinhua NNC, which is unsecured, interest-free and repayable on demand.

(iii) Amount due to a related party represented amount due to 新華音像中心. 新華音像中心 and China Xinhua NNC have a common shareholder, Xinhua News Agency (新華社). The amount is unsecured, interest-free and repayable on demand.

(iv) Amounts due to Directors are unsecured, interest free and repayable on demand.

The Group normally settles trade payables within 30 days credit term. Based on the invoice date, ageing analysis of trade payables at the end of the reporting period is as follows:

	2014	2013
	HK$'000	*HK$'000*
		(Restated)
Current or less than 1 month	**20,883**	26,868
1 to 3 months	**10,943**	2,990
More than 3 months but less than 12 months	**4,086**	15
More than 12 months	**489**	246
	36,401	30,119

16. SHARE CAPITAL

	Notes	**Number of shares At HK$0.001 each**	**Nominal Value** *HK$'000*
Authorised:			
As at 1 April 2012, 31 March 2013, 1 April 2013 and 31 March 2014		500,000,000,000	500,000
Issued and fully paid:			
As at 1 April 2012		1,664,735,664	1,664
Issue of Shares pursuant to the placing	*(a)*	10,000,000	10
As at 31 March 2013 and 1 April 2013		1,674,735,664	1,674
Issue of Shares pursuant to conversion of convertible notes	*(b)*	306,122,448	306
As at 31 March 2014		**1,980,858,112**	**1,980**

Notes:

(a) On 12 April 2012, 10,000,000 shares of HK$0.001 each were issued by way of placing at a price of HK$1.00 per share for cash consideration of HK$10,000,000. The excess of the placing price over the par value of the shares issued was credited to the share premium account.

(b) On 28 January 2014, a convertible note holder exercised its conversion right to convert part of the principal amount of HK$40,000,000 into 204,081,632 Shares. The excess of the conversion price over the nominal value of shares, of approximately HK$204,000, was credited to share premium of the Company.

On 13 March 2014, China Xinhua NNC exercised its conversion right to convert part of the principal amount of HK$20,000,000 into 102,040,816 Shares. The excess of the conversion price over the nominal value of shares, of approximately HK$102,000, was credited to share premium of the Company.

17. RESERVES

	Share premium *HK$'000*	Convertible notes equity reserves *HK$'000*	Foreign currency translation reserves *HK$'000*	Other reserves *HK$'000*	Accumulated losses *HK$'000*	Total equity *HK$'000*
At 1 April 2012	725,506	17,381	–	9,868	(683,926)	68,829
Loss and total comprehensive loss for the year	–	–	–	–	(116,189)	(116,189)
Issue of Shares pursuant to the placing	9,990	–	–	–	–	9,990
Share placement expenses	(407)	–	–	–	–	(407)
At 31 March 2013 and 1 April 2013	735,089	17,381	–	9,868	(800,115)	(37,777)
Loss for the year	–	–	–	–	(431,292)	(431,292)
Other comprehensive income for the year, net of tax						
Items that may be classified subsequently to profit or loss:						
Exchange differences on translating foreign operations	–	–	45	–	–	45
Total comprehensive income/ (loss) for the year	–	–	45	–	(431,292)	(431,247)
Issue of shares pursuant to the conversion of convertible notes	60,823	(1,718)	–	–	–	59,105
At 31 March 2014	**795,912**	**15,663**	**45**	**9,868**	**(1,231,407)**	**(409,919)**

18. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Financial Statements, during the years ended 31 March 2014 and 31 March 2013, the Group had entered into the following transactions with related parties which, in the opinion of the Directors, were conducted on normal commercial terms and in the ordinary course of the Group's business.

(a) During the year, the Group entered into the following related party transactions:

Related party relationship	**Type of transaction**	**2014** *HK$'000*	2013 *HK$'000*
A company that Mr. Chia Kar Hin, Eric John ("Mr. Chia") had material interest	Rental expenses for an office premise paid *(note (i))*	**–**	75
	Service fee for announcement posting agreement	**9**	9
	Company secretarial fees paid	**53**	41
A company that Mr. Chia is a common director	Legal and professional fee paid	**56**	–
China Xinhua NNC	Annual fee for television broadcasting right *(note (ii))*	**1,000**	1,000
	Advertisement broadcasting income *(note (iii))*	**9,332**	5,625
	Waiver of the interests on convertible notes *(note (iv))*	**19,852**	19,852
	Accrued interests on convertible notes *(note (v))*	**19,542**	19,852
CNC China	Advertising income *(note (vi))*	**2,248**	–
A company that Xinhua News Agency had material interest	Production fee paid	**–**	192
Dr. Lee Yuk Lun ("Dr. Lee")	Sales of goods	**–**	130
A company that Dr. Lee had material interest	Waiver of the interests on convertible notes *(note (iv))*	**10,839**	8,750
	Accrued interests on convertible notes *(note (v))*	**8,131**	8,750

Related party relationship	Type of transaction	2014	2013
		HK$'000	*HK$'000*
A company that a former Director is a common director	Advertising income	–	100

Notes:

(i) Rental expense was charged at a term mutually agreed between the Group and the related company. The lease was terminated with effect from 1 September 2012 under mutual agreement between the Group and the related company.

(ii) Pursuant to the agreements signed between the Group and China Xinhua NNC on 5 September 2011, China Xinhua NNC granted the television broadcasting right to Xinhua TV Asia-Pacific for the period from 1 September 2011 to 31 August 2021 on an exclusive basis with an annual fee of HK$1,000,000 payable by Xinhua TV Asia-Pacific to China Xinhua NNC prior to 31 December 2016, and HK$3,000,000 payable by Xinhua TV Asia-Pacific to China Xinhua NNC with effect from 1 January 2017.

(iii) Pursuant to the advertisement broadcasting contract signed between the Group and China Xinhua NNC on 24 August 2012, China Xinhua NNC has agreed to pay Xinhua TV Asia-Pacific, in cash, 50% of any amount that CNC China receives as the economic entitlement of CNC China under the advertisement operation cooperation contract dated 23 May 2011 entered into between CNC China and AVIC Culture Co., Limited ("AVIC Culture") relating to the grant of the exclusive right by CNC China to AVIC Culture for the promotion and operation of 58% of the advertising resources of the China Xinhua News Network World Channel (the "CNC Channel") (Chinese) and CNC Channel (English) (collectively the "CNC Channels") which are developed and currently maintained by China Xinhua NNC ("Partial Advertisement Operation Right"), for the period from 25 May 2011 to 25 August 2016 (the "Advertisement Operation Cooperation Contract"), being a guaranteed fixed fee of RMB90 million plus 40% of the part of advertising revenue derived from the Partial Advertisement Operation Right in excess of RMB90 million during the term of the Advertisement Operation Cooperation Contract.

(iv) During the year ended 31 March 2014, China Xinhua NNC and Proud Glory Investments Limited ("Proud Glory"), a company in which Dr. Lee has had material interests in, have waived the interests on convertible notes of approximately HK$19,852,000 (2013: approximately HK$19,852,000) for the period from 9 December 2012 to 8 December 2013 (2013: for the period from 9 December 2011 to 8 December 2012) and approximately HK$10,839,000 (2013: approximately HK$8,750,000) for the period from 9 December 2012 to 31 March 2014 (2013: for the period from 9 December 2011 to 8 December 2012) respectively.

(v) During the year ended 31 March 2014, the convertible notes interest payables to China Xinhua NNC and Proud Glory were amount to approximately HK$19,542,000 (2013: approximately HK$19,852,000) and approximately HK$8,131,000 (2013: approximately HK$8,750,000) respectively.

(vi) On 22 July 2013, the Company and CNC China entered into the channel resources usage framework agreement (the "CRU Framework Agreement"), pursuant to which the Company will and will procure its subsidiaries to provide advertising resources on the television channels controlled by the Company to CNC China and its associates for the advertisement businesses of independent third party clients undertook by them. As consideration, CNC China will pay the Group certain percentage of the advertisement broadcasting fees (after deducting applicable PRC taxes) for using such advertising resources based on the terms and conditions of each agreement. The CRU Framework Agreement will have a term of 3 years ending on 31 March 2016.

One of the Directors, Mr. Kan Kwok Cheung, who is also a Shareholder of the Company, has provided personal guarantee to the lessor in respect of the Group's obligations under finance lease as at the end of the reporting period.

(b) Compensation of key management personnel of the Group

The key management personnel of the Group are the Directors.

19. EVENTS AFTER THE REPORTING PERIOD

(a) On 19 May 2014, APT Satellite TV Development Limited, a convertible note holder exercised its conversion right to convert the principal amount of HK$35,000,000 into 178,571,429 Shares. For more details, please refer to the Company's announcement dated 20 May 2014.

(b) On 20 May 2014, China Xinhua NNC, a convertible note holder exercised its conversion right to convert the principal amount of HK$20,000,000 into 102,040,816 Shares. For more details, please refer to the Company's announcement dated 20 May 2014.

(c) On 21 May 2014, AVIC Culture and CNC China have mutually agreed in writing to terminate the Advertisement Operation Cooperation Contract. As such, AVIC Culture will not settle the remaining amount of advertising fee due to CNC China which would then be paid to China Xinhua NNC and the Group due to the termination of the initial public offering application of AVIC Culture as announced by China Securities Regulatory Commission in April 2014. Accordingly, CNC China, China Xinhua NNC and the Group have mutually agreed to terminate the agreement concluded by CNC China and China Xinhua NNC and the advertisement broadcasting contract concluded by the Group and China Xinhua NNC on 24 August 2012 respectively on the same day. For more details, please refer to the Company's announcement dated 28 May 2014.

(d) Subsequent to the end of the reporting period, the Group has disposed of 17% equity interest in the share capital of China New Media (HK) Company Limited to an independent third party at a consideration of HK$400,000.

20. COMPARATIVES

As further explained in note 2 to the Financial Statements, due to the adoption of revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

EXTRACT OF INDEPENDENT AUDITORS' REPORT

The following is an extract of the independent auditors' report on the consolidated financial statements of the Group for the year ended 31 March 2014:

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2014 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

MATERIAL UNCERTAINTY CONCERNING GOING CONCERN BASIS OF ACCOUNTING

Without qualifying our opinion, we draw attention to Note 3(b) in the consolidated financial statements which indicates that the Group incurred a net loss of approximately HK$431,292,000 during the year ended 31 March 2014 and, as of that date, the Group had net current liabilities and net liabilities of approximately HK$583,100,000 and HK$407,939,000 respectively. These conditions, along with other matters as set forth in Note 3(b), indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is principally engaged in the provision of waterworks engineering services for the public sector in Hong Kong, television broadcasting business in the Asia-Pacific region (excluding the PRC) in return for advertising and related revenue and large outdoor display screen advertisement business in the PRC. During the year ended 31 March 2014, the Group continued to focus on rendering waterworks engineering services to the public sector in Hong Kong and further develop its television broadcasting business in the Asia-Pacific region (excluding the PRC) and large outdoor display screen advertisement business in the PRC.

Provision of waterworks engineering services

During the year ended 31 March 2014, the Group has been undertaking three main contracts and six subcontracts. Among the nine contracts, six are related to provision of waterworks engineering services and the remaining contracts are related to provision of drainage services. Details of the contracts undertaken are set out below:

Contract number	Particulars of contract	Client	Contract period under main contracts
Main contracts			
9/WSD/09	Replacement and rehabilitation of water mains stage 3 – mains in Sai Kung	WSD	May 2010 – Feb 2014
8/WSD/11	Construction of Pak Shek Kok Fresh Water Service Reservoir Extension	WSD	Dec 2011 – May 2014
3/WSD/13	Mainlying near She Shan Tsuen, Tai Po	WSD	Sept 2013 – Jul 2016
Subcontracts			
18/WSD/08	Replacement and rehabilitation of water mains stage 3 – mains on Hong Kong Island South and outlying islands	Ming Hing Civil Contractors Limited	Mar 2009 – Oct 2014
8/WSD/10	Replacement and rehabilitation of water mains, stage 4 phase 1 – mains in Tuen Mun, Yuen Long, North District and Tai Po	Hsin Chong Construction Company Limited	Apr 2011 – Dec 2015
DC/2012/04	Sewerage in Kau Lung Hang San Wai, Kau Lung Hang Lo Wai and Tai Hang	Hsin Chong Tsun Yip Joint Venture	Jun 2012 – Dec 2017
DC/2012/07	Lam Tsuen Valley Sewerage – village sewerage, stage 2, phase 1	Hsin Chong Tsun Yip Joint Venture	Oct 2012 – Jan 2016
DC/2012/08	Lam Tsuen Valley Sewerage – village sewerage, stage 2, phase 2	Hsin Chong Tsun Yip Joint Venture	Oct 2012 – Aug 2016
5/WSD/13	Replacement and rehabilitation of water mains, stage 4 phase 1 and stage 4 phase 2 – mains in northern and eastern New Territories	Hsin Chong Tsun Yip Joint Venture	Nov 2013 – Feb 2016

Total contract value
HK$1,805.9 million

Total amount of works certified *(Note)* HK$931.8 million

Note: Amount of works certified is based on the certificates of payment received from client.

Among the above nine contracts, one main contract (contract numbered 3/WSD/13) and one subcontract (contract numbered 5/WSD/13) were newly awarded during the year ended 31 March 2014.

During the year ended 31 March 2014, the two contracts with contracts numbered 8/WSD/10 and DC/2012/07 were the main contributors to the Group's revenue, which generated approximately HK$134.8 million and HK$41.3 million, constituting approximately 41.6% and 12.7% of the Group's total revenue respectively.

Television broadcasting business

The Group's news coverage and television programmes place itself in a unique position among the television broadcasters worldwide. Currently, it is broadcasting the television programmes relating to information contents from Xinhua News Agency in Hong Kong, Macau, Thailand, New Zealand, Mongolia, Malaysia, Laos and Australia. During the year ended 31 March 2014, the Group has entered into three cooperation agreements and a memorandum of understanding with local television service suppliers in Hong Kong, New Zealand, Australia and Thailand respectively so as to further expand the coverage of the CNC Channels. In addition to Chinese and English language, the Group will provide certain television programmes which are translated to Thai language and broadcasted in Thailand in order to expand the viewership in countries of different languages. By entering into these cooperation agreements and memorandum of understanding, the Directors consider it will improve the utilisation efficiency of the advertising time of the respective channel, which will in turn bolster the Company's capability in executing commercial advertising and benefit the Shareholders as a whole. The Group is actively seeking cooperation opportunities with strategic partners and giving customers a unique viewing experience, and expansion beyond Hong Kong.

With the great success of television programmes "Hong Kong, Hong Kong" and "Hong Kong Voice Express", the Company has produced a documentary television feature programme "ICAC" for the purpose of marking the 40th anniversary of Hong Kong's Independent Commission Against Corruption during the year ended 31 March 2014. "ICAC" has been broadcasted in February 2014 through the CNC Channels, Now TV Channel No. 369 of PCCW Media Limited and TVB news channel of Television Broadcasts Limited and LETV platform and received good responses from the audience. Two documentaries produced by the Company, "ICAC" and "Hong Kong, Hong Kong", have been nominated for a television documentary award in The 27th China TV Golden Eagle Award. In the future, the Group will continue to produce information contents according to different social themes.

The Group's television broadcasting business has been strongly supported by its Shareholder, Xinhua News Agency. On 22 July 2013, the Company and CNC China, entered into a channel resources usage framework agreement (the "CRU Framework Agreement"), pursuant to which CNC China and/or its subsidiaries will procure the sale of advertising resources on the television channels controlled by the Company to independent third party clients for advertising revenue. The CRU Framework Agreement will have a term of 3 years ending on 31 March 2016. In order to implement the CRU Framework Agreement, on 22 July 2013, Xinhua TV Asia-Pacific entered into the channel resources usage agreements with CNC China, pursuant to which Xinhua TV Asia-Pacific agreed to provide advertising resources on its television channels for broadcasting advertisements of the Ministry of Commerce of the PRC ("MOFCOM") Department of Foreign Investment Administration (商務部外國投資管理司) (the "MOFCOM CRU Agreement") and Yibin Wuliangye Liquor Sales Co., Ltd. (the "Wuliangye CRU Agreement") respectively. Both MOFCOM CRU Agreement and Wuliangye CRU Agreement became effective on 22 July 2013 and will end on 31 March 2016. As such, the Directors consider that the entering into of the MOFCOM CRU Agreement and the Wuliangye CRU Agreement can utilise its broadcasting network of television channels so as to safeguard stability and security of the continuing operation of the Group's advertising business.

Nevertheless, the Group still recorded a loss in this business segment for the year ended 31 March 2014. In April 2014, the Company has issued certain profit warning announcements and informed the public that impairment loss in respect of goodwill and intangible asset as well as provision of doubtful debts regarding this segment would have a significant impact on the Group's result. Despite the fact that the Group's television broadcasting business continued to make steady progress as compared with previous year, the television broadcasting business of the Group is still under development and in the process of adjusting its business to cope with the challenging business conditions. It has not yet brought in satisfactory return to the Group since its acquisition in year 2011. Certain assets, such as certain trade receivable, goodwill and television broadcasting right relating to this segment have been impaired in the current year for the sake of this reason.

Large outdoor display screen advertisement business

Since mid of 2012, the Group has aimed to develop the large outdoor display screen advertisement business in the PRC. During the year ended 31 March 2014, the Group has constructed and installed LED displays in Sichuan Chengdu, Jiangsu Xuyi and Jiangsu Kunshan. In addition, the networked LED control platform in which the LED displays can be managed and connected through a centralized network, has been set up. Despite the escalating market competition, the Group has started to generate advertising revenue from advertising agents in relation to the broadcasting of commercial advertisements on large outdoor display screens in Sichuan Chengdu and Jiangsu Xuyi for the year ended 31 March 2014. Going forward, the Group will continue to negotiate with potential customers, including but not limited to commercial real estate developers, PRC government authorities and other potential partners for cooperation in order to balance the risk and return of this competitive segment.

To further develop the large outdoor display screen advertisement business in the PRC, the Company has incorporated a wholly-owned subsidiary, which is principally engaged in advertising business in Qianhai, Shenzhen. Through the establishment of a company in Qianhai, the Company can tap into the vast advertisement market in the PRC. Companies setting up in Qianhai can enjoy various favourable policies, including the advantages in the aspects of financial service, finance and taxation, human resources policies, regulations and telecommunication. The Directors consider that incorporating a company in Qianhai and leveraging as a Guangdong/Hong Kong cooperation platform helps to enhance the Company's allocation of resources in order to strengthen the development of its business in the Greater China market. In line with outdoor advertisement development trends, the revenue of this segment will develop at fast pace in coming future.

Financial Review

Revenue

For the year ended 31 March 2014, the Group reported a revenue of approximately HK$324.3 million (2013: approximately HK$293.0 million), representing an increase of approximately 10.7% as compared with that for the previous year. The revenue derived from provision of waterworks engineering services, television broadcasting business and large outdoor display screen advertisement business constituted approximately 93.5%, 5.2% and 1.3% of the Group's total revenue respectively. The higher revenue was mainly due to the increase in works from sewerage in Kau Lung Hang San Wai, Kau Lung Hang Lo Wai and Tai Hang (contract numbered DC/2012/04) and Lam Tsuen Valley Sewerage – village sewage, stage 2, phase 1 and phase 2 (contract number DC/2012/07 and DC/2012/08) and commencement of several contracts. For the year ended 31 March 2014, the Group derived advertising revenue of approximately HK$16.9 million (2013: approximately HK$11.8 million) from television broadcasting business and approximately HK$4.0 million (2013: nil) from large outdoor display screen advertisement business respectively.

During the year ended 31 March 2014, the revenue of the Group was primarily generated from the undertaking of waterworks contracts in the capacity of a subcontractor. The breakdown of total revenue by nature of capacity of the Group is set forth below:

	For the year ended 31 March			
	2014		2013	
	HK$'000	***% of total***	*HK$'000*	*% of total*
Main contractor	**15,076**	**5.0**	47,124	16.8
Subcontractor	**245,035**	**80.8**	221,953	78.9
Jointly controlled operations	**43,273**	**14.2**	12,166	4.3
Total	**303,384**	**100.0**	281,243	100.0

Cost of services

The Group's cost of services increased by approximately 10.5% to approximately HK$274.2 million (2013: approximately HK$248.3 million) for the year ended 31 March 2014 as compared with that for the previous year. The Group's cost of services mainly includes costs of construction services, costs of television broadcasting business and direct costs attributable to large outdoor display screen advertisement business. Costs of construction services mainly comprise raw materials, direct labour and subcontracting fee for services provided by the subcontractors. Costs of television broadcasting business mainly comprise transmission costs and broadcasting fee. Transmission costs comprise satellite transmission fee and carriage fee payable to satellite operator while broadcasting fee comprises annual fee payable to media broadcasting providers and China Xinhua NNC. Direct costs attributable to large outdoor display screen advertisement business mainly comprise depreciation charges of LED display screens and control room. The following table sets out a breakdown of the Group's cost of services:

	For the year ended 31 March			
	2014		2013	
	HK$'000	**% of total**	*HK$'000*	% of total
Costs of construction services				
Raw materials	**30,915**	**11.3**	19,373	7.8
Direct labour	**62,335**	**22.7**	52,371	21.1
Subcontracting fee	**108,850**	**39.8**	125,081	50.4
Other direct costs	**62,571**	**22.8**	44,717	18.0
Subtotal	**264,671**	**96.6**	241,542	97.3
Costs of television broadcasting business				
Transmission costs	**2,500**	**0.9**	2,500	1.0
Broadcasting fee	**5,861**	**2.1**	4,210	1.7
Subtotal	**8,361**	**3.0**	6,710	2.7
Direct costs attributable to large outdoor display screen advertisement business	**1,199**	**0.4**	–	–
Subtotal	**1,199**	**0.4**	–	–
Total	**274,231**	**100.0**	248,252	100.0

Gross profit

The gross profit of the Group for the year ended 31 March 2014 increased by approximately 11.9% to approximately HK$50.1 million (2013: approximately HK$44.8 million) as compared with that for the previous year. The gross profit margin of the Group amounted to approximately 15.4% for the year ended 31 March 2014 (2013: approximately 15.3%) which was almost the same as that of previous year. The increase in gross profit was largely as a consequence of higher revenue derived for the year.

Other income

The Group's other income for the year ended 31 March 2014 increased by approximately 7.4% to approximately HK$31.0 million (2013: approximately HK$28.8 million) as compared with that for the previous year. The increase was mainly attributable to the increase in waiver of convertible notes interests from the noteholders during the year.

Other gains and losses

The Group's other gains or losses for the year ended 31 March 2014 amounted to approximately HK$3.3 million in deficit (2013: approximately HK$0.5 million in surplus). The decrease in other gains and losses was mainly attributable to the net fair value changes on financial assets at fair value through profit or loss during the year.

Amortisation expenses

The Group's amortisation expenses for the year ended 31 March 2014 decreased by approximately 1.7% to approximately HK$ 59.5 million (2013: approximately HK$60.5 million) as compared with that for the previous year. The amortisation expenses mainly consisted of amortisation of television broadcasting rights and film rights for the television broadcasting business.

Selling and distribution expenses

The Group's selling and distribution expenses for the year ended 31 March 2014 amounted to approximately HK$85,000 (2013: approximately HK$423,000). The selling and distribution expenses mainly consisted of advertising expenses for the television broadcasting business for the year.

Administrative expenses

The Group's administrative expenses for the year ended 31 March 2014 increased by approximately 7.6% to approximately HK$29.7 million (2013: approximately HK$27.6 million) as compared with that for the previous year. The administrative expenses mainly consisted of auditor's remuneration, legal and professional fees, staff costs (including Directors' remuneration), depreciation expenses and rental expenses. The increase in the administrative expenses was mainly attributable to the increase in staff costs and depreciation expenses of head office due to the expansion of business.

Finance costs

The Group's finance costs for the year ended 31 March 2014 increased by approximately 1.5% to approximately HK$42.0 million (2013: approximately HK$41.4 million) as compared with that for the previous year. The finance costs mainly consisted of interest expenses on the promissory note and convertible notes.

Net loss

The net loss attributable to owners of the Company for the year ended 31 March 2014 increased by 2.7 times to approximately HK$431.3 million (2013: approximately HK$116.2 million) as compared with that for the previous year. The increase in net loss was mainly resulted from the impairment loss in respect of goodwill, intangible assets and trade receivables for the year.

Loss per Share

The basic loss per Share for the year ended 31 March 2014 was approximately HK25.14 cents (2013: approximately HK6.94 cents).

Prospects

During the year ended 31 March 2014, the respective established brandnames of the Group are given full play in our vigorously developed three main businesses, namely provision of waterworks engineering services, television broadcasting business and large outdoor display screen advertisement business. Although the Group has incurred a significant loss due to unsatisfactory performance regarding the television broadcasting business, the Directors are of confident that the Group's business strategy has the capacity to operate very effectively in the current economic environment and develop new areas of business while the provision of waterworks engineering services will continue to contribute stable revenue to the Group. In addition to television and LED platforms, the Group has been growing its advertising base through mobile and other platforms and diversified its business to video broadcasting business in the Greater China region. Upon the launch of video broadcasting business, the Directors expect that, in addition to the television broadcasting business and large outdoor display screen advertisement business, it will be another key driver of our future revenue growth. The Group's overall business diversification and flexibility strategy enhances the Group's image in a positive manner and suggests that the Group's future prospects remain positive.

Provision of waterworks engineering services

The Group's waterworks engineering services remains the major source of revenue of the Group. The performance of the Group's waterworks engineering business was comparable with that for the previous year. In the coming years, it is believed that the replacement and rehabilitation programme of water mains (the "R&R Programme") launched by WSD will continue to open up numerous waterworks opportunities to the Group. According to WSD, Stage 4 Phase 1 of the R&R Programme had commenced in March 2011 and will be completed in 2015. About 500 kilometres of water mains will be replaced and rehabilitated at this stage. Stage 4 Phase 2 of the R&R Programme had commenced in January 2012 and will be completed in 2015. About 350 kilometres of water mains will be replaced and rehabilitated at this stage.

The outlook for the construction industry in Hong Kong remains optimistic. Not only will the R&R Programme launched by WSD continue to open up numerous waterworks opportunities to the Group, the infrastructure and development projects being currently implemented or to be implemented by the Government, roads and drainage works and site formation works will also create tremendous business opportunities to the Group in the future. On 9 September 2013, the Group has obtained a new main contract of mainlaying near She Shan Tsuen, Tai Po (contract numbered 3/WSD/13) with total contract sum of approximately HK$75.0 million. On 20 November 2013, the Group and Hsing Chong Construction Company Limited have jointly obtained a new main contract of R&R Programme, stage 4 phase 1 and stage 4 phase 2 – mains in northern and eastern New Territories (contract numbered 5/WSD/13) with total contract sum of approximately HK$433.3 million. We believe that the Group is able to take up more contracts and capture more potential business opportunities.

Going forward, the Group will continue to improve its quality of service and enhance management capabilities and competitiveness to bid for more rewarding contracts in Hong Kong and to further scale up the Group's business. The Group will continue to seek improvements in cost-savings, production efficiency and Group profitability and identify opportunities for joint ventures or strategic alliances in a bid to drive its strategy of vertical as well as horizontal expansion.

Television broadcasting business

Drawing on the brand name of and backup from Xinhua News Agency, the Group is positioned to capture the opportunities arising from this business segment with relatively low initial entry barrier. The Group has developed a broadcasting network of television channels with relatively extensive scale. In addition to increasing in coverage by looking for cooperation with media providers in different countries, the Group maintained good relationship with those television service providers that are currently working with. Looking forwards, the Group will actively adjust the current business mode and negotiate the new cooperation mode with the media providers, including new and existing partners in order to balance the interests of all parties be bundled together to form a stable long-term partnership, with a view to broadening our market reach and enhancing our profitability.

Currently, the Group has enriched the content of "Hong Kong Voice Express" by integrating the programmes with entertainment and sports news in Hong Kong in order to reflect and keep track of current move in Hong Kong. The revised edition of "Hong Kong Voice Express" has been broadcasted in April 2014.

The Group will continue to put effort into expand this segment. By leveraging on the extensive network of reporters worldwide and resources available to Xinhua News Agency in producing television programmes, it is believed that viewership will increase with appropriate promotional effort and the business will bring in additional advertising and related revenue to the Group in the future. The Directors believe that the Group's broadcasting scope will be extended to more countries as time progresses. Towards this end, the Company entered into the MOFCOM CRU Agreement and the Wuliangye CRU Agreement in mid of 2013 which will bring and boost the advertising revenue of the Company. This strategic move of stepping forward into this segment will broaden our base of profit-generating businesses.

Large outdoor display screen advertisement business

The Directors believe that the large outdoor display screen advertisement business would be a new direction for the Group. Upon completion of construction and installation of LED displays in Sichuan Chengdu, Jiangsu Xuyi and Jiangsu Kunshan, the Group aims at constructing more LED displays in other PRC cities, including Nanjing and Yangzhou and preliminary site reconnaissance work has been completed.

By leveraging on the brand name of Xinhua News Agency, the Group could save brand development and marketing costs in promoting the large outdoor display screen advertisement business. Except for the current business model, the Group will identify and grasp opportunities for joint ventures or strategic alliances in order to increase the effectiveness on cost-saving and seek for higher profit growth. The Group will continue to negotiate with potential commercial real estate developers, PRC government authorities and other potential partners to boost up the development of this business segment and increase its market share in the PRC. The Directors believe that such endeavour, coupled with the Group's growing advertising capability, will enable the Group to further diversify its advertising business. The Group will continue reposition itself and will strive to bring modest growth in both revenue, earnings and reputation to the Shareholders in the coming future.

Video broadcasting business

On 27 December 2013, the Group entered into a licence agreement (the "Licence Agreement") with The Associated Press (the "AP"), pursuant to which the Group and AP will work together to create and launch a Greater China market video service for the mobile platforms of three China national telecommunication operators. The Group, in close working consultation with AP, would license selected Sports News Television sports news video, AP technology news video, AP horizons video and AP archive video, and distribute such videos via the video platforms of the telecommunication operators to the mobile phone users in the PRC, Hong Kong and Macau. Such videos cover selected matches from NBA, NHL, PGA, soccer, tennis, etc. and details of the Licence Agreement were set out in the announcement of the Company dated 27 December 2013. The Directors believe that the entering into of the Licence Agreement will help enhance the contents currently broadcasted by the Company and the means by which such contents are distributed can be diversified into mobile platforms which will further strengthen our presence in the fast expanding Greater China market and in turn attract additional advertisement revenue.

The Group will cautiously seek to capture suitable market opportunities, explore new business opportunity to broaden its source of income and expand the business operations and in turn, maximise the Shareholders' returns.

Capital Structure

The Shares were listed on GEM on 30 August 2010. The capital of the Group comprises only ordinary shares.

Total equity attributable to owners of the Company amount to approximately HK$407.9 million in deficit as at 31 March 2014 (31 March 2013: approximately HK$36.1 million). The increase in deficit was mainly resulted from the net loss suffered by the Group during the year as a result of impairment loss in respect of goodwill, intangible assets and trade receivables in an aggregate of approximately HK$430.0 million.

Liquidity and Financial Resources

During the year ended 31 March 2014, the Group generally financed its operations through internally generated cash flows.

As at 31 March 2014, the Group had net current liabilities of approximately HK$583.1 million (31 March 2013: net current assets of approximately HK$16.5 million), including cash balance of approximately HK$20.6 million (31 March 2013: approximately HK$36.2 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 0.18 as at 31 March 2014 (31 March 2013: approximately 1.19). The incurrence of net current liabilities and decrease in current ratio were primarily due to higher trade and other payables as a result of more business activities and business development and the current obligation of redemption of promissory note and convertible notes on their maturity dates being 11 August 2014 and 8 December 2014 respectively.

Gearing Ratio

The gearing ratio, which is based on the total amount of borrowings, promissory note, convertible notes, finance lease payables and advance received from customers divided by total assets, was 178.8% as at 31 March 2014 (31 March 2013: approximately 82.8%). The increase was resulted from the decrease in total assets due to impairment loss in respect of goodwill and intangible assets for the year.

Foreign Exchange Exposure

The group entities collect most of the revenue and incur most of the expenditures in their respective functional currencies. The Directors consider that the Group's exposure to foreign currency exchange risk is insignificant as the majority of the Group's transactions are denominated in the functional currency of each individual group entity. During the year ended 31 March 2014, the Group was mainly exposed to foreign currency exchange risk of United States Dollars and Renminbi and the management mainly monitored the foreign currency exchange risk with advices from the Group's major banks.

Capital Commitment

As at 31 March 2014, the Group had an outstanding commitment of approximately HK$3.5 million in respect of acquisition of property, plant and equipment. Save as aforesaid, the Group did not have any significant capital commitments (31 March 2013: approximately HK$10.7 million).

Charges on the Group's Assets

The Group's machineries and motor vehicles with net book values as at 31 March 2014 amounted to approximately HK$1.4 million (31 March 2013: nil) and HK$8.6 million (31 March 2013: approximately HK$7.5 million) was held under finance lease. As at 31 March 2014, the Group pledged its machinery and motor vehicles with net book values of approximately HK$78,000 (31 March 2013: approximately HK$0.3 million) and approximately HK$1.8 million (31 March 2013: approximately HK$3.6 million) respectively as securities for its performance of obligations as a sub-contractor of the Replacement and Rehabilitation of water mains, Stage 4, Phrase 1 – Mains in Tuen Mun, Yuen Long, North District and Tai Po.

Contingent Liabilities

As at 31 March 2014, the Group did not have any material contingent liabilities (31 March 2013: Nil).

Information on Employees

As at 31 March 2014, the Group had 270 full-time staff in Hong Kong and over 90% of them are direct labour. Total staff costs (including Directors' remuneration) for the year ended 31 March 2014 amounted to approximately HK$72.7 million (2013: approximately HK$62.0 million), representing an increase of approximately 17.4% over that for the previous year. The increase was mainly due to the increase in the number of staff to support the expansion of the Group's business.

Remuneration is determined with reference to the nature of job, performance, qualifications and experience of individual employees, as well as the result of the Group and the market trend. The Group carries out staff performance appraisal once a year and the assessment result is used for salary reviews and promotion decisions. The Group recognises the importance of staff training and thus regularly provides internal and external trainings for its staff to strength their skills and knowledge.

Significant Investment Held

As at 31 March 2014, the Group held a 17% equity interest in the issued share capital of China New Media (HK) Company Limited as a long term investment.

Except for investment in subsidiaries and the investment as disclosed above, during the year ended 31 March 2014 and as at the end of the reporting period, the Group did not hold any significant investment in equity interest in any company.

Subsequent to the end of the reporting period, the Group has disposed of 17% equity interest in the share capital of China New Media (HK) Company Limited to an independent third party at a consideration of HK$400,000.

Future Plans for Material Investments and Capital Assets

As at 31 March 2014, the Group did not have other plans for material investments and capital assets.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the year ended 31 March 2014, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 March 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 29 July 2014 to Thursday, 31 July 2014, both days inclusive. During this period, no transfer of Shares will be registered. In order to attend and vote at the annual general meeting of the Company, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Investor Services Limited, at level 22, Hopewell Centre, 183 Queens's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 28 July 2014.

PURCHASE, SALE OR REDEMPTION OF THE SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares during the year ended 31 March 2014.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and enhance the performance of the Group.

The Company has applied the principles and code provisions in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 to the GEM Listing Rules.

In the opinion of the Board, the Company has complied with the Code throughout the year ended 31 March 2014, except for paragraphs A.2.7 and A.6.7 of the Code. This announcement further illustrates in detail as to how the Code was applied, inclusive of the considered reasons for any deviation throughout the year ended 31 March 2014.

Paragraph A.2.7 of the Code provides that the chairman should at least annually hold meetings with the non-executive Directors and independent non-executive Directors without the executive Directors present. Although the chairman did not hold a meeting with the non-executive Directors and independent non-executive Directors during the year ended 31 March 2014, he delegated the company secretary to gather any concerns and/or questions that the non-executive Directors and independent non-executive Directors might have and report to him for setting up follow-up meetings, whenever necessary, in due course.

Paragraph A.6.7 of the Code requires that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Two executive Directors, namely Mr. Wu Jin Cai and Dr. Lee Yuk Lun, two non-executive Directors, namely Mr. Li Yong Sheng and Ms. Liang Hui and an independent non-executive Director, namely Mr. Hau Chi Kit did not attend the annual general meeting of the Company held on 26 July 2013 due to overseas commitment and pre-arranged business engagements. Other Board members, the chairmen of the relevant Board committees and the external auditor of the Company also attended the annual general meeting to inter-face with and answer questions from the Shareholders.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed above, no significant event has taken place subsequent to 31 March 2014 and up to the date of this announcement.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") on 11 August 2010 with terms of reference in compliance with paragraph C3.3 of the Code.

The primary duties of the Audit Committee include, among other things, reviewing and supervising the financial reporting process and internal control systems, as well as the overall risk management of the Group, reviewing the financial statements and the quarterly, interim and annual reports of the Group, and reviewing the terms of engagement and scope of audit work of the external auditors.

The composition of the Audit Committee is as follows:

Independent non-executive Directors
Mr. Wong Chung Yip, Kenneth *(Chairman) (appointed on 16 December 2013)*
Mr. Jin Hai Tao
Mr. Hau Chi Kit
Mr. Chu Siu Lun, Ivan
Mr. Chan Hon Yuen *(resigned on 10 December 2013)*

Non-executive Directors
Mr. Li Yong Sheng
Ms. Liang Hui

The members of the Audit Committee possess diversified industry experience and the chairman of the Audit Committee has appropriate professional qualifications and experience in accounting matters.

The Audit Committee had reviewed the Financial Statements and is of the opinion that the preparation of such statements complied with the applicable accounting standards and that adequate disclosures have been made.

By Order of the Board
CNC Holdings Limited
Wu Jin Cai
Chairman and Executive Director

Hong Kong, 11 June 2014

As at the date of this announcement, the Board comprises the following Directors:

Executive Directors:
Mr. Wu Jin Cai
Dr. Lee Yuk Lun
Mr. Zou Chen Dong
Mr. Kan Kwok Cheung
Mr. Chia Kar Hin, Eric John

Non-executive Directors:
Mr. Li Yong Sheng
Ms. Liang Hui

Independent non-executive Directors:
Mr. Jin Hai Tao
Mr. Wong Chung Yip, Kenneth
Mr. Hau Chi Kit
Mr. Chu Siu Lun, Ivan

This announcement will remain on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for at least seven days from the day of its posting and the Company's website at http://www.cnctv.hk.