



**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 2020**

**CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG  
KONG LIMITED**

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*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	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	-26.9%	<b>237,322</b>	324,855
Gross (loss)/profit	N/A	<b>(17,536)</b>	3,484
Loss before income tax	52.7%	<b>(105,174)</b>	(68,878)
Loss attributable to the owners of the Company	54.4%	<b>(100,831)</b>	(65,302)
Basic loss per Share ( <i>HK cents</i> )	54.7%	<b>(2.49)</b>	(1.61)
Dividend per Share ( <i>HK cents</i> )	N/A	<b>N/A</b>	N/A

## Consolidated Financial Position

As at 31 March

	Changes	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Total assets	-14.9%	<b>248,454</b>	292,101
Cash and cash equivalents	14.1%	<b>91,196</b>	79,915
Total liabilities	13.4%	<b>520,422</b>	459,092
Equity attributable to the owners of the Company	-62.9%	<b>(271,968)</b>	(166,991)

## Ratios

As at 31 March

	2020	2019
Return on equity ( <i>Note a</i> )	<b>N/A</b>	N/A
Return on assets ( <i>Note b</i> )	<b>-40.6%</b>	-22.4%
Current ratio ( <i>Note c</i> )	<b>0.37 time</b>	1.19 times
Gearing ratio ( <i>Note d</i> )	<b>145.0%</b>	111.0%

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 promissory note, convertible notes, lease liabilities/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:

<b>“Board”</b>	the board of Directors
<b>“BVI”</b>	the British Virgin Islands
<b>“China Xinhua NNC”</b>	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
<b>“CNC China”</b>	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
<b>“Company”</b>	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
<b>“Director(s)”</b>	director(s) of the Company
<b>“Financial Statements”</b>	the audited financial statements of the Group for the year ended 31 March 2020
<b>“GEM”</b>	the GEM of the Stock Exchange
<b>“GEM Listing Rules”</b>	the Rules Governing the Listing of Securities on GEM
<b>“Government”</b>	the Government of Hong Kong
<b>“Group”</b>	the Company and its subsidiaries
<b>“HK\$” and “HK cent(s)”</b>	Hong Kong dollar(s) and cent(s), respectively, the lawful currency of Hong Kong
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC

<b>“Macau”</b>	the Macau Special Administrative Region of the PRC
<b>“PRC”</b>	the People’s Republic of China, excluding Hong Kong, Macau and Taiwan
<b>“SFO”</b>	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended or otherwise modified from time to time
<b>“Share(s)”</b>	ordinary share(s) of the Company
<b>“Share Option Scheme”</b>	the share option scheme of the Company adopted on 11 August 2010
<b>“Shareholder(s)”</b>	holder(s) of the Share(s)
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“WSD”</b>	Water Supplies Department (水務署) of the Government
<b>“Xinhua TV Asia-Pacific”</b>	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
<b>“%”</b>	per cent

The Board is pleased to present the audited consolidated results of the Group for the year ended 31 March 2020 together with the comparative figures for 2019 as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Revenue	4	237,322	324,855
Cost of services		(254,858)	(321,371)
Gross (loss)/profit		(17,536)	3,484
Other income	5	1,033	450
Other gains and losses	6	(11,811)	3,032
Amortisation expenses		(18,367)	(18,594)
Selling and distribution expenses		(770)	–
Administrative expenses		(24,591)	(22,441)
Change in fair value of financial assets at fair value through profit or loss		(4,636)	(9,123)
Loss from operations	8	(76,678)	(43,192)
Finance costs	9	(28,496)	(25,686)
Loss before income tax		(105,174)	(68,878)
Income tax	10	4,343	3,576
Loss for the year		(100,831)	(65,302)
Other comprehensive loss			
<i>Items that may be classified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		(1,104)	(1,531)
<i>Items that will not be reclassified to profit or loss:</i>			
Change in fair value of financial assets at fair value through other comprehensive income		–	(1,057)
Other comprehensive loss for the year, net of income tax		(1,104)	(2,588)
Total comprehensive loss for the year		(101,935)	(67,890)
Loss for the year attributable to the owners of the Company		(100,831)	(65,302)
Total comprehensive loss for the year attributable to the owners of the Company		(101,935)	(67,890)
Loss per share attributable to the owners of the Company – Basic and diluted ( <i>HK cents</i> )	12	(2.49)	(1.61)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020

		2020	2019
	Notes	HK\$'000	HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		26,407	38,302
Right-of-use assets		9,107	–
Intangible assets		25,995	44,362
Deferred tax assets		124	320
Financial assets at fair value through other comprehensive income		–	1,245
		<u>61,633</u>	<u>84,229</u>
<b>Current assets</b>			
Trade and other receivables	13	84,552	105,738
Tax recoverable		–	521
Contract assets		9,238	15,517
Financial assets at fair value through profit or loss		1,835	6,181
Cash and cash equivalents		<u>91,196</u>	<u>79,915</u>
		<u>186,821</u>	<u>207,872</u>
<b>Total assets</b>		<u>248,454</u>	<u>292,101</u>
<b>Current liabilities</b>			
Trade and other payables	14	131,243	88,973
Contract liabilities		63,302	65,156
Lease liabilities/Finance lease payables		7,231	42
Promissory note		44,658	–
Convertible notes		242,990	–
Employee benefits		3,672	3,550
Current tax liabilities		<u>16,474</u>	<u>16,904</u>
		<u>509,570</u>	<u>174,625</u>
<b>Net current (liabilities)/assets</b>		<u>(322,749)</u>	<u>33,247</u>
<b>Total assets less current liabilities</b>		<u>(261,116)</u>	<u>117,476</u>

		2020	2019
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Non-current liabilities</b>			
Lease liabilities/Finance lease payables		<b>2,925</b>	–
Promissory note		–	43,123
Convertible notes		–	225,475
Interest payables	14	–	2,214
Deferred tax liabilities		<b>7,927</b>	13,655
		<b>10,852</b>	284,467
<b>Total liabilities</b>		<b>520,422</b>	459,092
<b>Net liabilities</b>		<b>(271,968)</b>	(166,991)
<b>Capital and reserves</b>			
Share capital		<b>4,055</b>	4,055
Reserves		<b>(276,023)</b>	(171,046)
<b>Total equity</b>		<b>(271,968)</b>	(166,991)

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2020

	Share capital HK\$'000	Share premium HK\$'000	Capital reserves HK\$'000	Convertible notes equity reserves HK\$'000	Foreign currency translation reserves HK\$'000	Investment revaluation reserves HK\$'000	Other reserves HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
31 March 2018	4,055	1,238,195	2,758	1,304	(116)	–	21,862	(1,399,354)	(131,296)
Adoption of HKFRS 9 (note 1)	–	–	–	–	–	–	–	(1,557)	(1,557)
Adjusted balance at 1 April 2018	4,055	1,238,195	2,758	1,304	(116)	–	21,862	(1,400,911)	(132,853)
Loss for the year	–	–	–	–	–	–	–	(65,302)	(65,302)
Other comprehensive loss for the year, net of tax:									
Items that may be classified subsequently to profit or loss:									
Exchange differences on translating foreign operations	–	–	–	–	(1,531)	–	–	–	(1,531)
Item that will not be reclassified subsequently to profit or loss:									
Change in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	–	(1,057)	–	–	(1,057)
Total comprehensive loss for the year	–	–	–	–	(1,531)	(1,057)	–	(65,302)	(67,890)
Transfer to accumulated losses upon maturity of convertible notes	–	–	–	(1,304)	–	–	–	1,304	–
Recognition of convertible notes equity reserves on extension of convertible notes	–	–	–	17,245	–	–	19,352	–	36,597
Deferred tax liability arising on extension of convertible notes	–	–	–	(2,845)	–	–	–	–	(2,845)
At 31 March 2019	4,055	1,238,195	2,758	14,400	(1,647)	(1,057)	41,214	(1,464,909)	(166,991)
Adoption of HKFRS 16 (note 2)	–	–	–	–	–	–	–	(3,042)	(3,042)
Adjusted balance at 1 April 2019	4,055	1,238,195	2,758	14,400	(1,647)	(1,057)	41,214	(1,467,951)	(170,033)
Loss for the year	–	–	–	–	–	–	–	(100,831)	(100,831)
Other comprehensive loss for the year, net of tax:									
Items that may be classified subsequently to profit or loss:									
Exchange differences on translating foreign operations	–	–	–	–	(1,104)	–	–	–	(1,104)
Total comprehensive loss for the year	–	–	–	–	(1,104)	–	–	(100,831)	(101,935)
Transfer to accumulated losses upon derecognition of investment revaluation	–	–	–	–	–	1,057	–	(1,057)	–
At 31 March 2020	4,055	1,238,195	2,758	14,400	(2,751)	–	41,214	(1,569,839)	(271,968)

**Note 1:** Upon the adoption of HKFRS 9 “Financial Instruments” on 1 April 2018 has accumulated impact of approximately HK\$1,557,000 was recorded as an adjustment to the accumulated losses as at 1 April 2018, which represented the impairment loss allowance net of deferred tax impact.

**Note 2:** Upon the adoption of HKFRS 16 “Leases” on 1 April 2019 has accumulated impact of approximately HK\$3,042,000 was recorded as an adjustment to the accumulated losses as at 1 April 2019.



# 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 Suites 2708-2710, 27/F., Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong respectively. Its parent company is China Xinhua News Network Co., Limited (“China Xinhua NNC”), which owns 29.31% of the issued share capital of the Company.

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

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are provision of civil engineering services for the public sector in Hong Kong and media and advertising business comprising television broadcasting business in the Asia-Pacific region (excluding the PRC) and Multi Channel Network (MCN) business with vast resources on information contents in channels/internet in return for advertising and related revenue.

## 2.1. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### **New and amendments to HKFRSs that are mandatorily effective for the current year**

The Group has applied the following new and amendments to HKFRSs and an interpretation issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

HKFRS 16	Leases
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

Except as described below, the application of all other new and amendments to HKFRSs and an interpretation in the current year had no material impact on the Group’s financial positions and performance for the current year and prior years and/or the disclosures set out in these consolidated financial statements.

## **HKFRS 16 Leases**

### ***Transition and summary of effects arising from initial application of HKFRS 16***

On 1 April 2019, the Group has applied HKFRS 16. HKFRS 16 superseded HKAS 17, and the related interpretations. The Group applied the HKFRS 16 in accordance with the transition provisions of HKFRS 16.

### ***Definition of a lease***

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

### ***As a lessor***

During the year ended 31 March 2020, application of HKFRS 16 by the Group as a lessor has no material impact on the Group's consolidated financial statements.

### ***As a lessee***

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. As at 1 April 2019, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amounts as if HKFRS 16 has been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying HKFRS 16.C8(b)(i) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- ii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties was determined on a portfolio basis;
- iii. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options;
- iv. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and
- v. relied on assessment of whether lease are onerous by applying HKAS 37 Provision, Contingent Liabilities and Contingent Assets as an alternative of impairment review.

On transition, the Group has made the following adjustments upon application of HKFRS16:

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by relevant group entities ranged from 2.07% to 5.20%.

	<b>At 1 April 2019 HK\$'000</b>
Operating lease commitments disclosed as at 31 March 2019	21,248
Less: Effect from discounting at the incremental borrowing rate as at 31 March 2019	<u>(714)</u>
	20,534
Less: Recognition exemption – short term or low value leases	(1,848)
Less: Recognition exemption – practical expedient – leases with lease term ending within 12 months/from date of initial application	(1,859)
Add: Extension options reasonably certain to be exercised	352
Add: Finance lease payables recognised as at 31 March 2019	<u>42</u>
Lease liabilities as at 1 April 2019	<u><u>17,221</u></u>
Analysed as:	
Current	8,494
Non-current	<u>8,727</u>
	<u><u>17,221</u></u>

The carrying amount of right-of-use assets for own use as at 1 April 2019 comprises the following:

	<b>Right-of-use assets HK\$'000</b>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	13,782
Add: Right-of-use assets relating to deposits of operating leases – recognised upon application of HKFRS 16	63
Add: Amount included in property, plant and equipment under HKAS 17 – Assets previously under finance leases	<u>141</u>
	<u><u>13,986</u></u>
By class:	
Leased premises	9,036
Motor vehicles	141
Assets related to television broadcasting business	<u>4,809</u>
	<u><u>13,986</u></u>

## Impacts on transition

On transition to HKFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in accumulated losses, if relevant. The impact on transition is summarised below:

	1 April 2019 HK\$'000
Accumulated losses as at 31 March 2019	(1,464,909)
Adjustments under HKFRS 16	<u>(3,042)</u>
Accumulated losses as at 1 April 2019 (Restated)	<u><u>(1,467,951)</u></u>

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously report at 31 March 2019 HK\$'000	Reclassification HK\$'000	Recognition of leases HK\$'000	Carrying amounts under HKFRS 16 at 1 April 2019 HK\$'000
<b>Non-current assets</b>				
Property, plant and equipment	38,302	(141)	–	38,161
Right-of-use assets	–	141	13,845	13,986
<b>Current assets</b>				
Trade and other receivables	105,738	–	(63)	105,675
<b>Current liabilities</b>				
Trade and other payables	88,973	–	(355)	88,618
Lease liabilities	–	42	8,452	8,494
Finance lease payables	42	(42)	–	–
<b>Non-current liabilities</b>				
Lease liabilities	–	–	8,727	8,727
<b>Capital and reserves</b>				
Reserves	<u>(171,046)</u>	<u>–</u>	<u>(3,042)</u>	<u>(174,088)</u>

For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 March 2020, movements in working capital have been computed based on opening statement of financial position as at 1 April 2019 as disclosed above.

## New and amendments to HKFRSs in issue but not yet effective

HKFRS 17	Insurance Contracts <sup>2</sup>
Amendments to HKFRS 3	Definition of a business <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28	Sale and Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>4</sup>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest rate Benchmark Reform <sup>4</sup>
Amendments to HKFRS 16	COVID-19-Related Rent Concession <sup>5</sup>

<sup>1</sup> *Effective for annual periods beginning on or after a date to be determined*

<sup>2</sup> *Effective for annual periods beginning on or after 1 April 2021*

<sup>3</sup> *Effective for business combinations and asset acquisitions for which the acquisitions date is on or after the beginning of the first annual period beginning on or after 1 April 2020*

<sup>4</sup> *Effective for annual periods beginning on or after 1 April 2020*

<sup>5</sup> *Effective for annual periods beginning on or after 1 June 2020*

In addition to the above new and amendments to HKFRSs, a revised “Conceptual Framework for Financial Reporting” was issued in 2018. Its consequential amendments, the “Amendments to References to the Conceptual Framework” in HKFRSs Standards, will be effective for annual periods beginning on or after 1 April 2020. The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

### **3. BASIS OF PRESENTATION**

#### **(a) Statement of compliance**

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements includes applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (“GEM Listing Rules”) and by the Hong Kong Companies Ordinance.

#### **(b) Basis of preparation**

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

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 into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 April 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

#### **(c) Going concern basis**

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

- The Group has incurred a net loss of approximately HK\$100,831,000 during the year ended 31 March 2020 and, as of that date, the Group had net current liabilities and net liabilities of approximately HK\$322,749,000 and HK\$271,968,000 respectively; and
- The Group had promissory note of approximately HK\$44,658,000 and convertible notes of approximately HK\$242,990,000 which are due within next twelve months after 31 March 2020.

The directors of the Company adopted the going concern basis in the preparation of 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 support**

China Xinhua News Network Co., Limited (“China Xinhua NNC”), one of the major shareholders of the Company and a convertible notes holder, has confirmed to provide financial support to the Group in a reasonable manner under relevant laws and regulatory requirements, to maintain the going concern of the Company. The financial support only refers to allow the Company to extend the repayment for the liabilities due to China Xinhua NNC to not earlier than 12 months commencing from 31 March 2020, including (1) the convertible notes in the principal amount of approximately HK\$257,030,000; (2) the interest payables on the convertible notes amounted to approximately HK\$51,108,000 as of 31 March 2020; and (3) the liabilities due to China Xinhua NNC of approximately HK\$20,337,000 as of 31 March 2020 in respect of annual fee for television broadcasting right, carriage fee payment and satellite transmission fee, if the repayment would cause the Company to be unable to settle its liabilities due to other parties when they fall due.

**(2) Alternative source of funding**

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 of the Company, 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 of the Company are satisfied that it is appropriate to prepare the consolidated 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 consolidated financial statements.

**(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 2020 and 2019 were as follows:

(i) Over time of revenue recognition

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Construction works	231,100	323,895
Advertising income	<u>6,222</u>	<u>960</u>
	<u><b>237,322</b></u>	<u><b>324,855</b></u>

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 31 March 2020, the aggregated amount of the transaction price allocated to the remaining performance obligation under the Group's existing contracts is approximately HK\$102,990,000 (2019: approximately HK\$178,749,000). This amount represents revenue expected to be recognised in the future from pre-completion construction contracts and advertising contracts entered into by the customers with the Group. The Group will recognised the expected revenue in future when or as the work is completed or service is provided which is expected to occur within the next 12 months.

#### 5. OTHER INCOME

Other income recognised during the years ended 31 March 2020 and 2019 were as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest income	213	78
Dividend income	48	198
Sundry income	<u>772</u>	<u>174</u>
	<u><b>1,033</b></u>	<u><b>450</b></u>



## 6. OTHER GAINS AND LOSSES

Other gains and losses recognised during the years ended 31 March 2020 and 2019 were as follows:

	2020 HK\$'000	2019 HK\$'000
Exchange gain, net	559	1,035
Gain arising from extinguishment of promissory note	–	1,939
Net gains on disposal of property, plant and equipment	957	131
Allowance for expected credit losses recognised for trade receivables	(7,920)	(78)
Net allowance for expected credit losses recognised for contract assets	(5,407)	5
	<u>(11,811)</u>	<u>3,032</u>

## 7. SEGMENT INFORMATION

The Group's segment information is presented on the basis on internal reports that are regularly reviewed by the executive directors of the Company, being the chief operating decision maker in order to allocate resources to the segments and assess their performance. For each of the Group's reportable segments, the executive directors of the Company reviews internal management reports on a regular basis.

Under the segment structure implemented during the year ended 31 March 2020, information reported to the executives directors of the Company, 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 provide are:

- (i) Provision of civil engineering services – provision of waterworks engineering services, road works and drainage services and site formation works for public sector in Hong Kong; and
- (ii) Media and advertising business – (a) the television broadcasting business of broadcasting television programmes on television channels operated by television broadcasting companies in the Asia-Pacific region (excluding the PRC) and (b) Multi Channel Network (MCN) business with vast resources on information contents in channels/ internet in return for advertising and related revenue.

Each of these operating segments is managed separately as each of the products 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 and operating segment.

### *For the year ended 31 March 2020*

	Provision of civil engineering services <i>HK\$'000</i>	Media and advertising business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	231,100	6,222	237,322
Other income and gains	1,674	–	1,674
<b>Reportable segment revenue</b>	<b>232,774</b>	<b>6,222</b>	<b>238,996</b>
<b>Reportable segment results</b>	<b>(27,574)</b>	<b>(23,332)</b>	<b>(50,906)</b>
Unallocated corporate income			366
Unallocated corporate expenses			(26,138)
Finance costs			(28,496)
<b>Loss before income tax</b>			<b>(105,174)</b>

### *For the year ended 31 March 2019*

	Provision of civil engineering services <i>HK\$'000</i>	Media and advertising business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	323,895	960	324,855
Other income and gains	245	–	245
<b>Reportable segment revenue</b>	<b>324,140</b>	<b>960</b>	<b>325,100</b>
<b>Reportable segment results</b>	<b>4,004</b>	<b>(30,511)</b>	<b>(26,507)</b>
Unallocated corporate income			2,210
Unallocated corporate expenses			(18,895)
Finance costs			(25,686)
<b>Loss before income tax</b>			<b>(68,878)</b>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the years ended 31 March 2020 and 2019.

Segment profit/loss respects the profit earned/loss incurred by each segment without allocation of central administration costs, dividend income, interest income, finance costs, change in fair value of financial assets at fair value through profit or loss, gains arising from extinguishment of promissory note and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

## Segment assets and liabilities

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

### At 31 March 2020

	Provision of civil engineering services <i>HK\$'000</i>	Media and advertising business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	112,730	37,223	149,953
Unallocated			98,501
<b>Consolidated assets</b>			<b>248,454</b>
Segment liabilities	101,624	46,006	147,630
Unallocated			372,792
<b>Consolidated liabilities</b>			<b>520,422</b>

### At 31 March 2019

	Provision of civil engineering services <i>HK\$'000</i>	Media and advertising business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	149,098	51,589	200,687
Unallocated			91,414
<b>Consolidated assets</b>			<b>292,101</b>
Segment liabilities	83,392	30,729	114,121
Unallocated			344,971
<b>Consolidated liabilities</b>			<b>459,092</b>

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

- all assets are allocated to operating segments other than financial assets at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, cash and cash equivalents, current tax recoverable, deferred tax assets and assets for corporate use. and,
- all liabilities are allocated to operating segments other than convertible notes, current and deferred tax liabilities and promissory note.

## Other segment information

### For the year ended 31 March 2020

	Provision of civil engineering services <i>HK\$'000</i>	Media and advertising business <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Additions to non-current assets	9,872	–	4	9,876
Depreciation of property, plant and equipment	17,689	228	798	18,715
Depreciation of right-of-use assets	759	2,366	4,086	7,211
Amortisation of intangible assets	–	18,367	–	18,367
Net allowance for expected credit losses recognised on contract assets	5,407	–	–	5,407
Allowance for expected credit losses recognised on trade receivables	7,920	–	–	7,920
Net gains on disposal of property, plant and equipment	(957)	–	–	(957)
Change in fair value of financial assets at fair value through profit or loss	–	–	4,636	4,636
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

### For the year ended 31 March 2019

	Provision of civil engineering services <i>HK\$'000</i>	Media and advertising business <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Additions to non-current assets	20,436	3	–	20,439
Depreciation of property, plant and equipment	19,410	735	1,718	21,863
Amortisation of film rights	–	278	–	278
Amortisation of intangible assets	–	18,316	–	18,316
Allowance for expected credit losses recognised on trade receivables	78	–	–	78
Reversal of allowance for expected credit losses recognised on contract assets	(5)	–	–	(5)
Net gains on disposal of property, plant and equipment	(131)	–	–	(131)
Change in fair value of financial assets at fair value through profit or loss	–	–	9,123	9,123
Gain arising from extinguishment of promissory note	–	–	(1,939)	(1,939)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

## Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services were as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Construction works	231,100	323,895
Advertising income	6,222	960
	<u>237,322</u>	<u>324,855</u>

## Geographical information

The Group's operations are mainly located in Hong Kong.

The following table provides an analysis of the Group's revenue by location of customers:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	237,322	324,855
	<u>237,322</u>	<u>324,855</u>

The following is an analysis of the carrying amount of non-current assets, excluding the financial assets, right-of-use assets and deferred tax assets, analysed by the geographical area in which the assets are located:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	51,261	80,998
PRC	1,141	1,666
	<u>52,402</u>	<u>82,664</u>

## Information about major customers

Included in revenue arising from provision of civil engineering services of approximately HK\$231,100,000 (2019: HK\$323,895,000) are revenue generated from two (2019: three) customers amounting to approximately HK\$207,675,000 (2019: HK\$303,716,000) 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 2020 and 31 March 2019.

Revenue from major customers is as follows:

	2020 HK\$'000	2019 HK\$'000
Customer A	106,968	146,709
Customer B	100,707	121,117
Customer C (Note (i))	–	35,890
Others	29,647	21,139
	<b>237,322</b>	<b>324,855</b>

Note:

- (i) No information was disclosed as the corresponding revenue did not contribute over 10% of the Group's revenue for the year ended 31 March 2020.

## 8. LOSS FROM OPERATIONS

Loss from operations has been arrived at after charging:

	2020 HK\$'000	2019 HK\$'000
Contract costs recognised as expenses	247,676	310,758
Amortisation of film rights (included in amortisation expenses)	–	278
Amortisation of intangible assets (included in amortisation expenses)	18,367	18,316
Television broadcasting right fee and TV satellite fees (included in cost of services)	2,123	8,623
Other direct costs attributable to media and advertising business (included in cost of services)	2,693	945
Other direct operating costs (included in cost of services)	–	1,045
Auditors' remuneration – Audit services	650	700
Depreciation of property, plant and equipment*	18,715	21,863
Depreciation of right-of-use assets**	7,211	–
Staff costs	88,579	91,962
Operating lease rentals in respect of rented premises	–	14,425
Expenses relating to short-term leases	2,827	–

\* Depreciation of property, plant and equipment of approximately HK\$17,174,000 (2019: approximately HK\$18,893,000), HK\$nil (2019: approximately HK\$1,045,000) and HK\$1,541,000 (2019: approximately HK\$1,925,000) have been separately expensed in contract costs recognised and expense, cost of services and administrative expenses respectively.

\*\* Depreciation of right-of-use assets of approximately HK\$2,366,000 (2019: HK\$nil) and HK\$4,845,000 (2019: HK\$nil) have been separately expensed in cost of services in respect of television broadcasting right fee and TV satellite fees and administrative expenses respectively.

## 9. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on:		
Lease liabilities/Finance lease payables	366	26
Promissory note	2,890	3,388
Convertible notes	25,240	22,272
	<u>28,496</u>	<u>25,686</u>

## 10. INCOME TAX

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax – Hong Kong Profits tax		
– tax for the year	707	1,240
– over-provision in respect of prior years	(39)	(1,690)
	<u>668</u>	<u>(450)</u>
Current tax – PRC Enterprise Income tax		
– under-provision in prior years	521	735
	<u>1,189</u>	<u>285</u>
Deferred tax		
– current year	(5,532)	(3,861)
Income tax credit	<u>(4,343)</u>	<u>(3,576)</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment.) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK\$2,000,000 will be taxed at 16.5%. The assessable profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% for the years ended 31 March 2020 and 2019.

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

Under the prevailing tax law in the PRC, the Enterprise Income Tax rate of the subsidiary of the Company incorporated in the PRC is 25% (2019: 25%).

## 11. DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31 March 2020 (2019: Nil).

## 12. LOSS PER SHARE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss for the year attributable to the owners of the company for the purpose of basic and diluted loss per share	<u>(100,831)</u>	<u>(65,302)</u>
	<b>Number of shares</b> <b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares for the purpose of basic and diluted loss per Share	<u>4,055,350</u>	<u>4,055,350</u>

Diluted loss per share for the years ended 31 March 2020 and 2019 are the same as the basic loss per share. The computation of diluted loss per share for the years ended 31 March 2020 and 31 March 2019 does not assume the Company's outstanding convertible notes since the assumed conversion of convertible notes would result in a decrease in loss per share.

## 13. TRADE AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables ( <i>note (i)</i> )	40,841	61,930
Allowance for expected credit losses	<u>(11,866)</u>	<u>(3,946)</u>
	<u>28,975</u>	<u>57,984</u>
Other receivables and prepayments ( <i>note (iii)</i> )	43,592	43,675
Deposits	<u>11,985</u>	<u>4,079</u>
	<u>84,552</u>	<u>105,738</u>



*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.

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

	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
Current or less than 1 month	<b>28,975</b>	57,959
1 to 3 months	–	–
More than 3 months but less than 12 months	–	25
More than 12 months	–	–
	<u><b>28,975</b></u>	<u>57,984</u>

The Group grants an average credit period of 30 days (2019: 30 days) to its trade customers of contract works. Application for progress payments of contract works is made on a regular basis.

Movements in the allowance for expected credit losses of trade receivables:

Movement in lifetime ECL that has been recognised for trade receivables in accordance with simplified approach set out in HKFRS 9 for the year ended 31 March 2020 and 31 March 2019.

	<b>HK\$'000</b>
Balance as at 1 April 2018	<b>3,868</b>
Allowance for expected credit losses ("ECL")	<u>78</u>
Balance as at 31 March 2019 and 1 April 2019	<b>3,946</b>
Allowance for expected credit losses ("ECL")	<u>7,920</u>
Balance as at 31 March 2020	<u><b>11,866</b></u>

- (ii) Trade and other receivables are short term and hence the directors of the Company consider the carrying amounts of trade and other receivables approximate their fair values at the end of the reporting periods.
- (iii) It mainly consists of prepayments for insurance and new tenders and advance payment to subcontractors.

#### 14. TRADE AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	25,355	12,327
Retention money payables	10,019	–
Amounts due to a shareholder ( <i>note (i)</i> )	20,337	17,337
Interest payables	54,676	45,596
Amount due to a related party ( <i>note (ii)</i> )	2,009	2,009
Other payables and accruals	18,847	13,918
	<u>131,243</u>	<u>91,187</u>
Less: payables within twelve months shown under current liabilities	<u>(131,243)</u>	<u>(88,973)</u>
Interest payables shown under non-current liabilities	<u>–</u>	<u>2,214</u>

*Notes:*

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

The Group normally settles trade payables within 30 days (2019: 30 days) credit term. Based on the invoice date, ageing analysis of trade payables at the end of the reporting period is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current or less than 1 month	24,239	11,234
1 to 3 months	884	225
More than 3 months but less than 12 months	–	868
More than 12 months	232	–
	<u>25,355</u>	<u>12,327</u>

## 15. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, during the years ended 31 March 2020 and 31 March 2019, the Group had entered into the following transactions with related parties which, in the opinion of the directors of the Company, 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	2020 HK\$'000	2019 HK\$'000
China Xinhua NNC	Annual fee for television broadcasting right ( <i>note (i)</i> )	3,000	3,000
	Accrued interests on convertible notes ( <i>note (ii)</i> )	7,725	7,710
		<u>          </u>	<u>          </u>

*Notes:*

- (i) 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 approximately HK\$1,000,000 payable by Xinhua TV Asia-Pacific to China Xinhua NNC prior to 31 December 2016, and approximately HK\$3,000,000 payable by Xinhua TV Asia-Pacific to China Xinhua NNC with effect from 1 January 2017. The transactions constituted continuing connected transactions under the GEM Listing Rules. This transaction is exempted for reporting.
- (ii) During the year ended 31 March 2020, the convertible notes interests payable to China Xinhua NNC were amount to approximately HK\$7,725,000 (2019: approximately HK\$7,710,000).
- (iii) One of the Directors, Mr. Kan Kwok Cheung ("Mr. Kan"), who is also a Shareholder of the Company, has provided personal guarantee to the lessor in respect of the Group's lease liabilities as at 31 March 2019.

As at 31 March 2019, the banking facilities of the Group were secured by corporate guarantee executed by Shunleetat (BVI) Limited, which is wholly and beneficially owned by Mr. Kan, the charges over the properties held by Mr. Kan and personal guarantee provided by Mr. Kan.

The Directors considered that the above related party transactions were conducted on normal commercial terms and in the ordinary and usual course of the Group's business.

**(b) Compensation of key management personnel of the Group**

The key management personnel of the Group are the Directors.

## 16. COMPARATIVE FIGURES

The Group has initially applied HKFRS16 at 1 April 2019 using modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.1.

In addition, certain comparative figures have been reclassified to be consistent with the current year's presentation.

## **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 2020:

### **OPINION**

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **MATERIAL UNCERTAINTY RELATING TO GOING CONCERN**

We draw attention to Note 3c in the consolidated financial statements, which indicates that the Company incurred a net loss of HK\$100,831,000 during the year ended 31 March 2020 and, as of that date, the Company's net current liabilities and net liabilities are approximately HK\$322,749,000 and HK\$271,968,000 respectively. As stated in Note 3c, these events or conditions, along with other matters as set forth in Note 3c, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### **MANAGEMENT DISCUSSION AND ANALYSIS**

#### **Business Review**

The Group is principally engaged in the provision of civil engineering services for the public sector in Hong Kong and media and advertising business comprising television broadcasting business in the Asia-Pacific region (excluding the PRC) and Multi Channel Network (MCN) business in return for advertising and related revenue. During the year ended 31 March 2020, the Group continued to focus on rendering civil engineering services to the public sector in Hong Kong, develop its television broadcasting business in the Asia-Pacific region (excluding the PRC) and develop Multi Channel Network (MCN) business with vast resources on information contents in channels/internet, such as YouTube in return for advertising and related income.

## ***Provision of civil engineering services***

During the year ended 31 March 2020, the Group has been undertaking four main contracts and five subcontracts. Among the nine contracts, two of these are related to provision of waterworks engineering services and the remaining contracts are related to provision of drainage services and site formation services. Details of the contracts undertaken are set out below:

<b>Contract number</b>	<b>Particulars of contract</b>	<b>Client</b>	<b>Contract period under main contracts</b>	
<b>Main contracts</b>				
3/WSD/13	Mainlying near She Shan Tsuen, Tai Po	WSD	Sept 2013 – Jul 2016	<b>Total contract value</b> HK\$1,984 million
DC/2013/09	Advance Works for Shek Wu Hui Sewage Treatment Works – Further Expansion Phase 1A and Sewerage Works at Ping Che Road	Drainage Services Department of the Government	Jul 2015 – Aug 2017	
Q067133	Elevated Road along Lohas Park Road and the pedestrian footbridge FB1	MTR Corporation Limited	Mar 2019 – Jul 2019	
ND/2019/08	Site formation works at remaining part of Tai Po area 39	Civil Engineering and Development Department of the Government	Jan 2020 – May 2021	
<b>Subcontracts</b>				
DC/2012/08	Lam Tsuen Valley Sewerage — village sewerage, stage 2, phase 2	Hsin Chong Tsun Yip Joint Venture	Oct 2012 – Aug 2016	<b>Total amount of works certified</b> <i>(Note)</i> HK\$1,885 million
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 – May 2016	
CV/2015/03	Site Formation and Infrastructural Works near Tong Hang Road and Tsz Tin Road in Area 54, Tuen Mun	Hsin Chong Tsun Yip Joint Venture	Nov 2015 – Jun 2020	
810B	West Kowloon Terminus Station South, Contract 810B	Laing O'Rourke – Hsin Chong – Paul Y Joint Venture	Jun 2015 – Oct 2015	
CV/2016/10	Site Formation and Association Infrastructural Works For Development of Columbarium at Sandy Ridge Cemetery	Hsin Chong Tsun Yip Joint Venture	Dec 2017 – Jun 2021	

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

Among the above nine contracts, a main contract (contract numbered ND/2019/08) was newly awarded while two main contracts (contract numbered 3/WSD13 and contract numbered DC/2013/09) and a subcontract (contract numbered DC/2012/08) were completed during the year ended 31 March 2020.

During the year ended 31 March 2020, the two contracts with contracts numbered CV/2015/03 and CV/2016/10 were the main contributors to the Group's revenue, which generated approximately HK\$50.8 million and approximately HK\$155.6 million, constituting approximately 21.4% and approximately 65.6% of the Group's total revenue respectively.

### ***Media and advertising business***

2019 was a challenging year macro-economically. Due to the on-going trade war between the US and Mainland China, it led to the slowdown in global economic growth. Also, Hong Kong is experiencing the poorest economic condition in the past decade, following the fade of social movement. Facing uncertainty and downside risk of the economy of Hong Kong, the Group continued to sustain larger pressure and challenges in traditional television broadcasting business. The television broadcasting segment is experiencing intense competition in a crowded marketplace with different operators and changing user habits. A wider range of contents is available on new platforms and various mobile devices for users to select and view anytime and anywhere. It has greatly shifted the advertiser budgets from tradition to new media.

By leveraging on the management experience and business strategy which has shored up our position in the media market, the Group is well-positioned and differentiated itself from competitors and the built-up of market influence of the Group. Besides, the Group will continue to explore and grasp opportunities for business development arising from the reform in advertising related sector. In order to achieve long-term sustainable development, the Group currently develops Multi Channel Network (MCN) business with vast resources on information contents in channels/internet, such as YouTube and expands its revenue base and thereby promoting the development strategy of brand diversification and enhancing the Group's brand awareness in the media industry. The Group is sensitive to such changes and takes responsive actions accordingly by incessantly exploring different forms of diversified media products, platforms and geographical markets to make space for the survival of the advertising industry.

The Group would continue to seek other suitable opportunities to diversify its sources of income and is actively looking for candidates that can further broaden and enrich the management's expertise and experience and assist the Group in executing an appropriate business strategy to better position the Group in a highly competitive business environment.

## Financial Review

### Revenue

For the year ended 31 March 2020, the Group reported a revenue of approximately HK\$237.3 million (2019: approximately HK\$324.9 million), representing a decrease of approximately 26.9% as compared with that for the previous year. The revenue derived from provision of civil engineering services and media and advertising business constituted approximately 97.4% and 2.6% of the Group's total revenue respectively. The decrease in revenue was mainly due to certain civil engineering projects substantially completed and reached the maintenance stage or nearly completion stage as well as keen competition faced by the Group in obtaining new tenders for Period. For the year ended 31 March 2020, the Group derived aggregate advertising revenue of approximately HK\$6.2 million (2019: approximately HK\$1.0 million) from media and advertising business.

During the year ended 31 March 2020, the revenue of the Group was primarily generated from the undertaking of civil engineering contracts in the capacity of a subcontractor and a joint-venturer. The breakdown of total revenue by nature of capacity of the Group is set forth below:

	For the year ended 31 March			
	2020		2019	
	<i>HK\$'000</i>	<i>% of total</i>	<i>HK\$'000</i>	<i>% of total</i>
Main contractor	22,667	9.8	31,796	9.8
Subcontractor	100,707	43.6	141,222	43.6
Jointly controlled operations	107,726	46.6	150,877	46.6
Total	<u>231,100</u>	<u>100.0</u>	<u>323,895</u>	<u>100.0</u>

## Cost of services

The Group's cost of services decreased by approximately 20.7% to approximately HK\$254.8 million (2019: approximately HK\$321.4 million) for the year ended 31 March 2020 as compared with that for the previous year. The Group's cost of services mainly includes costs of construction services, costs of media and advertising business and other direct operating costs. Costs of construction services mainly comprise raw materials, direct labour and subcontracting fee for services provided by the subcontractors. Costs of media and advertising business mainly comprise costs of television broadcasting business and costs of Multi Channel Network (MCN) business. Costs of television broadcasting business mainly comprise transmission costs, broadcasting fee and other direct costs attributable to television broadcasting business. Transmission costs comprise satellite transmission fee and carriage fee payable to satellite operators while broadcasting fee comprises annual fee payable to media broadcasting providers and China Xinhua NNC. Costs of MCN business mainly comprise of profit sharing of usage of information contents to content providers and other direct costs. Other direct operating costs mainly comprise depreciation charges of LED displays screens. The following table sets out a breakdown of the Group's cost of services:

	For the year ended 31 March			
	2020		2019	
	HK\$'000	% of total	HK\$'000	% of total
<b>Costs of construction services</b>				
Raw materials	18,072	7.1	24,049	7.5
Direct labour	80,557	31.6	83,082	25.8
Subcontracting fee	53,217	20.9	74,194	23.1
Other direct costs	95,830	37.6	129,433	40.3
Subtotal	247,676	97.2	310,758	96.7
<b>Costs of media and advertising business</b>				
Transmission costs	1,373	0.5	2,500	0.8
Broadcasting fee	750	0.3	6,123	1.9
Depreciation of right-of-use assets of transmission costs	681	0.2	–	–
Depreciation of right-of-use assets of broadcasting fee	1,685	0.7	–	–
Other direct costs attributable to media and advertising business	2,693	1.1	945	0.3
Subtotal	7,182	2.8	9,568	3.0
<b>Other direct operating costs</b>	–	–	1,045	0.3
Subtotal	–	–	1,045	0.3
<b>Total</b>	<b>254,858</b>	<b>100.0</b>	<b>321,371</b>	<b>100.0</b>



### ***Gross (loss)/profit***

The gross loss for the Group for the year ended 31 March 2020 was approximately HK\$17.5 million (2019: gross profit of approximately HK\$3.5 million). The gross loss margin of the Group was approximately 7.1% (2019: gross profit margin of approximately 1.1%) for the year ended 31 March 2020. The incurrence in gross loss was mainly due to the (i) the progress of projects with higher gross profit margin had slowed down during the year; (ii) the decrease in gross profit margin of certain projects awarded to the Group in the recent years as a result of keen competition in the construction industry in Hong Kong; (iii) an increase in direct costs incurred from (a) general increasing construction costs; (b) unexpected complexity arising from construction works for certain construction projects of the Group during the year and towards the completion stage and (c) delays in certain projects as a result of the outbreak of the novel coronavirus (COVID-19) epidemic.

### ***Other income***

The Group's other income for the year ended 31 March 2020 increased by approximately 129.6% to approximately HK\$1.0 million (2019: approximately HK\$0.5 million) as compared with that for the previous year. The other income mainly consisted of interest income, cash dividend received from investment in financial assets at fair value through profit or loss and other sundry income during the year.

### ***Other gains and losses***

The Group's other gains and losses for the year ended 31 March 2020 was approximately HK\$11.8 million in deficit (2019: approximately HK\$3.0 million in surplus). Other gains and losses mainly consisted of net impact of allowance for expected credit losses recognised for trade receivables and contract assets totalling of approximately HK\$13.3 million, net gains on disposal of property, plant and equipment and net gain on foreign exchange difference for the year.

### ***Amortisation expenses***

The Group's amortisation expenses for the year ended 31 March 2020 decreased by approximately 1.2% to approximately HK\$18.4 million (2019: approximately HK\$18.6 million) as compared with that for the previous year. The amortisation expenses mainly consisted of amortisation charges of television broadcasting right and film rights for the television broadcasting business included in media and advertising business.

### ***Selling and distribution expenses***

The Group's selling and distribution expenses for the year ended 31 March 2020 was amounted to approximately HK\$0.8 million (2019: Nil). The selling and distribution expenses were mainly consisted of advertising expenses for the media and advertising business for the year.

### ***Administrative expenses***

The Group's administrative expenses for the year ended 31 March 2020 increased by approximately 9.6% to approximately HK\$24.6 million (2019: approximately HK\$22.4 million) as compared with that for the previous year. The administrative expenses mainly consisted of auditors' 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 increase in repair and maintenance expenses and consultant fee for the year.

### ***Finance costs***

The Group's finance costs for the year ended 31 March 2020 increased by approximately 10.9% to approximately HK\$28.5 million (2019: approximately HK\$25.7 million) as compared with that for the previous year. The finance costs mainly consist of interest expenses for the promissory note and convertible notes.

### ***Assessment of recoverable amount of intangible assets***

During the year ended 31 March 2012, the Group entered into a sale and purchase agreement with China Xinhua NNC, APT Satellite TV Development Limited and Proud Glory Investments Limited to acquire entire equity interest of Xinhua TV Asia-Pacific at an aggregate consideration of approximately HK\$700.0 million, comprising (a) issuance of 474,335,664 Shares to China Xinhua NNC at HK\$0.196 per share; and (b) HK\$607,030,210 by way of the issue of the convertible notes to China Xinhua NNC, Proud Glory Investments Limited and APT Satellite TV Development Limited at a conversion price of HK\$0.196 per Share. The Group completed its very substantial acquisition (the "Acquisition") of the entire equity interest in Xinhua TV Asia-Pacific on 9 December 2011 and commenced the television broadcasting business since then.

The recoverable amounts of Xinhua TV Asia-Pacific as at 31 March 2020 and 2019, were determined with reference to a valuation conducted by an independent valuer, based on income-based approach, after considering the financial information of Xinhua TV Asia-Pacific as at 31 March 2020 and 2019, including but not limited to (i) the financial position of Xinhua TV Asia-Pacific and its subsidiaries as at 31 March 2020 and 2019; (ii) the total revenue derived from television broadcasting business; (iii) number of existing contracts and memorandum of understanding; and (iv) the market and industry condition. The recoverable amount of Xinhua TV Asia-Pacific has been determined on the basis of value in use calculation and is based on certain key assumptions. The value in use calculation is based on discounted cash flow projections prepared from financial budgets approved by the directors of the Company covering a 5-year period and a pre-tax discount rate of 18.46%. Cash flows beyond the 5-year period are extrapolated using a growth rate of 2.5% for different countries and the growth rate does not exceed the average long-term growth rate for the industry. The discount rates used reflect specific risks to the segment. Other key assumptions for the value in use calculation related to the estimation of cash inflow and outflows include budgeted revenue and gross margin, such estimation is based on the past performance and management's expectations for the market development and possible business opportunities of television broadcasting business.

The recoverable amount of Xinhua TV Asia-Pacific approximated to the carrying amount of intangible assets, i.e., television broadcasting right as at 31 March 2020. Therefore, no impairment loss was recognised during the year ended 31 March 2020. To the best of knowledge and belief of the Directors, there had not been any change of valuation methodology and basis of valuation as at 31 March 2020 and no other changes in circumstance and reasons giving rise to changes in valuation approach. All changes of inputs were made to reflect the recent development of television broadcasting business as compared to that expected in previous years.

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### ***Impairment assessment of contract assets and receivables***

The Group made a provision of expected credit losses allowance of approximately HK\$5.4 million and approximately HK\$7.9 million for contract assets and trade receivables respectively based on the impairment assessment for the year ended 31 March 2020, the majority of which is mainly related to contract assets and trade receivables (“such receivables”) of a civil engineering contract in a capacity of subcontractor. According to the policy of impairment provision of receivables of the Group, the Group: (i) has decided the receivable portfolio by using aging as the credit risk characteristics, and has made provisions for doubtful debts for trade receivables and other receivables based on the aging analysis approach, and (ii) has sorted the customers against whom the provisions for doubtful debts has been made, and has estimated the expected credit loss, taking into account the recoverability of certain receivables, in order to estimate the impairment provisions for receivables. To the best knowledge of the Company based on the information currently available and after taking into consideration of (i) the defaulted payments; (ii) the aforesaid customer is in the process of liquidation; and (iii) certain winding up petitions filed against the aforesaid customer, the Group assessed the recoverability of such receivables became uncertain and accordingly the Group had provided a provision of expected credit losses allowance of such receivables. The Group will take appropriate actions against the aforesaid customer to recover the amount. The Company will update its shareholders on any material development as and when appropriate.

### ***Net loss***

The net loss attributable to the owners of the Company for the year ended 31 March 2020 increased by approximately 54.4% to approximately HK\$100.8 million (2019: approximately HK\$65.3 million) as compared with that for the previous year. The increase in net loss was mainly resulted from

- (a) the decrease in gross profit for the year;
- (b) the provision of expected credit losses allowance for contract assets and trade receivables of approximately HK\$5.4 million and approximately HK\$7.9 million respectively, the majority of which was related to contract assets and trade receivables of a civil engineering contract in a capacity of subcontractor; and
- (c) fair value loss of financial assets at fair value through profit or loss for the year.

### ***Loss per Share***

The basic loss per Share for the year ended 31 March 2020 was approximately HK2.49 cents (2019: approximately HK1.61 cents).

## **Prospects**

The Group anticipates that it is still a challenging year for the forthcoming year. The provision of civil engineering service business will continue to provide a stable source of revenue and remains the major contributor to revenue while the Group will continue to develop the television broadcasting business and Multi Channel Network (MCN) business. The Group will continue to diversify the business spectrum and to broaden the revenue base of the Group.

### ***Provision of civil engineering services***

The Group is of the view that the general outlook of the construction industry and the business environment in which the Group operates remain difficult and challenging. The intense market competition has led to fewer number of successful tenders and quotations and lower value of contracts awarded to the Group. The Group's gross profit margin is also under pressure from competitive project pricing on tenders and quotations, which in turn affects the financial performance of the Group. However, according to the 2020-2021 Budget of the Hong Kong Government, the annual capital works expenditure is expected to reach HK\$100 billion on average in the next few years. The Group remains cautiously optimistic about the construction industry in Hong Kong and believe that the availability of private and public sector construction projects is expected to grow in the coming years.

Going forward, the Group expects the local construction market in 2020 to remain competitive and demanding. To enable a healthy inflow of business against current woes in the construction industry, the Group continues to implement a prudent approach in projects selection in the upcoming year by tendering to well-established contractors and remarkable business partners in both private and public sector. The Group will continue to exercise due care in the pursuance of this core business so as to balance the risks and opportunities in this industry and adjust its business strategies from time to time if required.

## ***Media and advertising business***

The forthcoming financial year is expected to be challenging due to the competitive market conditions in the advertising industry. In order to drive subscription and advertising revenues, the Group commenced to switch their focus for internet and multimedia over traditional in advertising market in a view to generate synergies between them. The addition of a potential new sectors could accelerate advertising business expansion of the Group. It is expected that such changes would lead to an improvement on the returns in terms of audience's attraction and retention. The attempts to promote new media business are expected to make substantial progress, which will push the development of the Group into a new chapter. It is expected the new business will generate sustainable synergy with the existing resources on television broadcasting business and thereby creating a broad space for development for the Group in the media market. Also, the Group will seize the opportunities in the advertising sector to step up investments in the advertising market and seek to tap on new customers, businesses and revenue streams for delivering better returns to its shareholders.

As a long established and reputable player in different business segments, the Group holds a cautiously optimistic view towards the market. It will strive to capture the business opportunities and apply its expertise. Though faced with the above adverse business outlook, the Group will endeavor to identify new investment opportunities and enter into new project of higher value-added contribution to broaden its income sources.

Looking forward, the Directors anticipate 2020 will be a challenging year. The recent outbreak of coronavirus disease (COVID-19) may cause uncertainty in Hong Kong. The Group will pay close attention to the development of the outbreak of the COVID-19 subsequent to the end of the reporting period and its related impact on the Group's businesses and financial conditions. The Group will continuously commit itself to developing its core operations and thus ensure the core competitive strength of the Group. The Group will further develop the following aspects so as to sharpen its competitive edges in the market. Looking ahead, the Group remains optimistic about the prospects of the core businesses of the Group in the long term.

## **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 the owners of the Company amounted to approximately HK\$272.0 million in deficit as at 31 March 2020 (31 March 2019: approximately HK\$167.0 million). The decrease in equity was mainly resulted from net loss for the year.

## **Liquidity and Financial Resources**

During the year ended 31 March 2020, the Group generally financed its operations through internally generated cash flows.

As at 31 March 2020, the Group had net current liabilities of approximately HK\$322.7 million (31 March 2019: net current assets of approximately HK\$33.2 million), including cash balance of approximately HK\$91.2 million (31 March 2019: approximately HK\$79.9 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 0.37 as at 31 March 2020 (31 March 2019: approximately 1.19). The decrease in current ratio were primarily due to the fact that the promissory note and convertible notes will be matured within twelve months from the reporting date and thus reclassified as current liabilities.

## **Gearing Ratio**

The gearing ratio, which is based on the total amount of promissory note, convertible notes, lease liabilities/finance lease payables and advance received from customers divided by total assets, was approximately 145.0% as at 31 March 2020 (31 March 2019: approximately 111.0%). The increase in gearing ratio was resulted from decrease in total assets which was resulted from amortization of intangible assets.

## **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 2020, the Group was mainly exposed to foreign currency exchange risk of Renminbi and United States Dollars and the management mainly monitored the foreign currency exchange risk with advices from the Group's major banks.

## **Capital Commitment**

As at 31 March 2020, the Group had capital commitments in respect of property, plant and equipment of approximately HK\$3.0 million (31 March 2019: nil) contracted, but not provided in the consolidated financial statements.

## **Charges on the Group's Assets**

As at 31 March 2020, the Group's motor vehicles with net book values amounted to approximately HK\$2.1 million (2019: approximately HK\$0.1 million) were held under finance lease.

## **Contingent Liabilities**

As at 31 March 2020, the Group did not have any material contingent liabilities (31 March 2019: Nil).

## **Information on Employees**

As at 31 March 2020, the Group had 218 full-time staff in Hong Kong and over 90.0% of them are direct labour. Total staff costs (including Directors' remuneration) for the year ended 31 March 2020 amounted to approximately HK\$88.6 million (2019: approximately HK\$92.0 million), representing a decrease of approximately 3.7% over that for the previous year. The decrease was mainly due to the effective cost control for the year.

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**

Except for investment in subsidiaries, during the year ended 31 March 2020 and as at the end of the reporting period, the Group did not hold any significant investment in equity interest in any company.

## **Future Plans for Material Investments and Capital Assets**

As at 31 March 2020, 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 2020, 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 2020.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Wednesday, 5 August 2020 to Tuesday, 11 August 2020, both days inclusive. During this period, no transfer of Shares will be registered. In order to attend and vote at the AGM, 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 54, Hopewell Centre, 183 Queens's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 4 August 2020.

## **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 2020.

## **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 2020, 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 2020.

Paragraph A.2.7 of the Code provides that the chairman should at least annually hold meetings with the independent non-executive Directors without the executive Directors and non-executive Directors present. Although the chairman did not hold a meeting with the independent non-executive Directors, excluding the executive Directors and non-executive Directors during the year ended 31 March 2020, he delegated the company secretary to gather any concerns and/or questions that the 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 non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders.

A non-executive Director, namely Ms. Tang Li, did not attend the annual general meeting of the Company held on 9 August 2019 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 2020 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 C.3.3 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*)

Mr. Wu Guo Ming

Mr. Wan Chi Keung, Aaron, *BBS, JP*

### *Non-executive Directors*

Ms. Tang Li

Mr. Law Cheuk Hung

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.

\* *For identification purpose only*

By Order of the Board  
**CNC Holdings Limited**  
**Li Yong Sheng**  
*Vice Chairman & CEO*

Hong Kong, 29 June 2020

*As at the date of this announcement, the Directors are Dr. Jiang Yan<sup>1</sup> (Chairman), Dr. Li Yong Sheng<sup>1</sup> (Vice Chairman and Chief Executive Officer), Mr. Liu Da Yong<sup>1</sup>, Mr. Kan Kwok Cheung<sup>1</sup>, Ms. Tang Li<sup>2</sup>, Mr. Law Cheuk Hung<sup>2</sup>, Mr. Fan Chun Wah, Andrew, JP<sup>3</sup>, Mr. Wu Guo Ming<sup>3</sup>, Mr. Wan Chi Keung, Aaron, BBS, JP<sup>3</sup> and Mr. Wong Chung Yip, Kenneth<sup>3</sup>.*

<sup>1</sup> *Executive Director*

<sup>2</sup> *Non-executive Director*

<sup>3</sup> *Independent non-executive Director*

*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>.*