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 2021

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

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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	**2021**	2020
		HK$'000	*HK$'000*
Revenue	0.81%	**239,233**	237,322
Gross loss	64.3%	**(28,820)**	(17,536)
Loss before income tax	-24.6%	**(79,350)**	(105,174)
Loss attributable to the owners of the Company	-27.7%	**(72,946)**	(100,831)
Basic loss per Share *(HK cents)*	-27.7%	**(1.80)**	(2.49)
Dividend per Share *(HK cents)*	N/A	**N/A**	N/A

Consolidated Financial Position

As at 31 March

	Changes	**2021**	2020
		HK$'000	*HK$'000*
Total assets	-29.6%	**174,911**	248,454
Cash and cash equivalents	-26.8%	**66,743**	91,196
Total liabilities	-0.4%	**518,104**	520,422
Equity attributable to the owners of the Company	-26.9%	**(345,104)**	(271,968)

Ratios

As at 31 March

	2021	2020
Return on equity *(Note a)*	**N/A**	N/A
Return on assets *(Note b)*	**-42.2%**	-40.6%
Current ratio *(Note c)*	**0.32 time**	0.37 time
Gearing ratio *(Note d)*	**202.6%**	145.0%

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 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 2021
"GEM"	the GEM 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 (水務署) of the Government
"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 2021 together with the comparative figures for 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	**2021**	2020
		HK$'000	*HK$'000*
Revenue	*4*	**239,233**	237,322
Cost of services		**(268,053)**	(254,858)
Gross loss		**(28,820)**	(17,536)
Other income	*5*	**12,374**	1,033
Other losses, net	*6*	**(913)**	(11,811)
Amortisation of intangible assets		**(18,316)**	(18,367)
Selling and distribution expenses		**(770)**	(770)
Administrative expenses		**(26,005)**	(24,591)
Impairment loss on intangible assets		**(7,679)**	–
Impairment loss on right-of-use assets		**(2,872)**	–
Change in fair value of financial assets at fair value through profit or loss		**2,965**	(4,636)
Loss from operations	*8*	**(70,036)**	(76,678)
Finance costs	*9*	**(9,314)**	(28,496)
Loss before income tax		**(79,350)**	(105,174)
Income tax	*10*	**5,598**	4,343
Loss for the year		**(73,752)**	(100,831)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		**1,031**	(1,104)
Other comprehensive income/(loss) for the year, net of income tax		**1,031**	(1,104)
Total comprehensive loss for the year		**(72,721)**	(101,935)

	Notes	**2021**	2020
		HK$'000	*HK$'000*
Loss for the year attributable to:			
– Owners of the Company		**(72,946)**	(100,831)
– Non-controlling interest of the Company		**(806)**	–
		(73,752)	(100,831)
Total comprehensive loss for the year attributable to			
– Owners of the Company		**(71,915)**	(101,935)
– Non-controlling interest of the Company		**(806)**	–
		(72,721)	(101,935)
Loss per share attributable to owners of the Company			
– Basic and diluted *(HK cents)*	*12*	**(1.80)**	(2.49)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment		**23,138**	26,407
Right-of-use assets		**1,106**	9,107
Intangible assets		**–**	25,995
Deferred tax assets		**–**	124
		24,244	61,633
Current assets			
Trade and other receivables	*13*	**68,716**	84,552
Contract assets		**10,408**	9,238
Financial assets at fair value through profit or loss		**4,800**	1,835
Cash and cash equivalents		**66,743**	91,196
		150,667	186,821
Total assets		**174,911**	248,454
Current liabilities			
Trade and other payables	*14*	**150,018**	146,433
Contract liabilities		**62,613**	63,302
Lease liabilities		**3,371**	7,231
Promissory note		**–**	44,658
Convertible notes		**243,605**	242,990
Employee benefits		**5,638**	3,672
Tax payable		**1,060**	1,284
		466,305	509,570
Net current liabilities		**(315,638)**	(322,749)
Total assets less current liabilities		**(291,394)**	(261,116)

	Notes	2021 HK$'000	2020 HK$'000
Non-current liabilities			
Interest payables	*14*	**4,920**	–
Lease liabilities		**189**	2,925
Promissory note		**44,584**	–
Deferred tax liabilities		**2,106**	7,927
		51,799	10,852
Total liabilities		**518,104**	520,422
Net liabilities		**(343,193)**	(271,968)
Capital and reserves			
Share capital		**4,055**	4,055
Reserves		**(349,159)**	(276,023)
		(345,104)	(271,968)
Non-controlling interests		**1,911**	–
Total equity		**(343,193)**	(271,968)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2021

	Share capital	Share premium*	Capital reserves*	Convertible notes equity reserves*	Foreign currency translation reserves*	Investment revaluation reserves*	Other reserves*	Accumulated losses*	Total	Non-controlling interest	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2019	4,055	1,238,195	2,758	14,400	(1,647)	(1,057)	41,214	(1,467,951)	(170,033)	–	(170,033)
Loss for the year	–	–	–	–	–	–	–	(100,831)	(100,831)	–	(100,831)
Other comprehensive loss for the year, net of tax:											
Item that may be reclassified subsequently to profit or loss:											
Exchange differences on translating foreign operations	–	–	–	–	(1,104)	–	–	–	(1,104)	–	(1,104)
Total comprehensive loss for the year	–	–	–	–	(1,104)	–	–	(100,831)	(101,935)	–	(101,935)
Transfer to accumulated losses upon derecognition of investment revaluation	–	–	–	–	–	1,057	–	(1,057)	–	–	–
At 31 March 2020 and 1 April 2020	4,055	1,238,195	2,758	14,400	(2,751)	–	41,214	(1,569,839)	(271,968)	–	(271,968)
Loss for the year	–	–	–	–	–	–	–	(72,946)	(72,946)	(806)	(73,752)
Other comprehensive income for the year, net of tax:											
Items that may be reclassified subsequently to profit or loss:											
Exchange differences on translating foreign operations	–	–	–	–	1,031	–	–	–	1,031	–	1,031
Total comprehensive loss for the year	–	–	–	–	1,031	–	–	(72,946)	(71,915)	(806)	(72,721)
Changes in ownership interest of subsidiaries	–	–	–	–	–	–	–	(1,221)	(1,221)	2,717	1,496
At 31 March 2021	4,055	1,238,195	2,758	14,400	(1,720)	–	41,214	(1,644,006)	(345,104)	1,911	(343,193)

* *The aggregate amount of these balances of approximately HK$349,159,000 in deficit (2020: approximately HK$276,023,000) was included as reserves in the consolidated statement of financial position as at 31 March 2021.*

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 activities of the Company are investment holding. The principal activities of its subsidiaries are 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 People's Republic of China ("the PRC")) and digital marketing business on overseas market in return for advertising and related revenue.

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

2.1 Amendments to HKFRS that are mandatorily effective for the current year

In the current year, the Group has applied the "Amendments to References to Conceptual Framework in HKFRS Standards" and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accounts ("HKICPA") for the first time in the current year for the preparation of the consolidated financial statements.

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the "Amendments to References to the Conceptual Framework in HKFRS Standards" and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performances for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.2 New and Amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendments to HKFRS 16	COVID-19-Related Rent Concession[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
Amendments HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Costs of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[2]

[1] *Effective for annual periods beginning on or after 1 January 2023.*

[2] *Effective for annual periods beginning on or after 1 January 2022.*

[3] *Effective for annual periods beginning on or after a date to be determined.*

[4] *Effective for annual periods beginning on or after 1 June 2020.*

[5] *Effective for annual periods beginning on or after 1 January 2021.*

The directors anticipate that the application of all 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 HKFRSs, which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), and accounting principles generally accepted in Hong Kong. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. 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 good and services.

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 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16 "Lease", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

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 entirely, 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 have given careful consideration to the future liquidity of the Group notwithstanding that:

- The Group has incurred a net loss of approximately HK$73,752,000 during the year ended 31 March 2021 and, as of that date, the Group had net current liabilities and net liabilities of approximately HK$315,638,000 and HK$343,193,000 respectively; and

- The Group had convertible notes of approximately HK$243,605,000 which are due within the next twelve months after 31 March 2021.

The directors adopted the going concern basis in the preparation of consolidated 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 2021, including (1) the convertible notes in the principal amount of approximately HK$257,030,000; (2) the interest payable on the convertible notes amounted to approximately HK$58,804,000 as of 31 March 2021; and (3) the liabilities due to China Xinhua NNC of approximately HK$23,337,000 as of 31 March 2021 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, 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 consolidated financial statements on a going concern basis.

Should the Group be unable to continue to operate as a going concern, it may be unable to realise its assets and discharge its liabilities in the normal course of business. 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 2021 and 2020 were as follows:

(i) Disaggregation of revenue from contracts with customers

	2021	2020
	HK$'000	*HK$'000*
Construction works	**204,470**	231,100
Advertising income	**34,763**	6,222
Revenue recognised over time	**239,233**	237,322

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

As at 31 March 2021, the aggregated amount of the transaction price allocated to the remaining performance obligation under the Group's existing contracts is approximately HK$116,728,000 (2020: HK$102,990,000). 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 recognise 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

	2021	2020
	HK$'000	*HK$'000*
Interest income	**353**	213
Dividend income	**–**	48
Government subsidies *(Note)*	**9,273**	–
Consultancy fee income from joint operations	**1,410**	–
Sundry income	**1,338**	772
	12,374	1,033

Note: During the current year, the Group recognised Government grant of approximately HK$9,273,000 in respect of COVID-19 related subsidies which is related to Employment Support Scheme provided by Hong Kong Government.

6. OTHER LOSSES, NET

Other losses recognised during the years ended 31 March 2021 and 2020 were as follows:

	2021	2020
	HK$'000	*HK$'000*
Exchange (loss)/gain, net	**(364)**	559
Net gain on disposal of property, plant and equipment	**18**	957
Reversal of/(allowance for) ECL recognised for trade receivables, net	**74**	(7,920)
Allowance of ECL recognised for other receivables, net	**(97)**	–
Allowance for ECL recognised for contract assets, net	**(93)**	(5,407)
Loss arising on extension of promissory note	**(451)**	–
	(913)	(11,811)

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 ("CODM"), in order to allocate resources to the segments and assess their performance.

Specifically, the Group's reportable segments under HKFRS 8 are as follows:

(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 business of broadcasting television programmes on television channels operated by television broadcasting companies in the Asia-Pacific region (excluding the PRC) and (b) business of promoting digital marketing activities on overseas video platform in return for advertising and related revenue.

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 and operating segments.

For the year ended 31 March 2021

	Provision of civil engineering services *HK$'000*	Media and advertising business *HK$'000*	Total *HK$'000*
Revenue from external customers	**204,470**	**34,763**	**239,233**
Reportable segment results	**(34,680)**	**(28,810)**	**(63,490)**
Unallocated corporate income			**1,346**
Unallocated corporate expenses			**(7,892)**
Finance costs			**(9,314)**
Loss before income tax			**(79,350)**

For the year ended 31 March 2020

	Provision of civil engineering services *HK$'000*	Media and advertising business *HK$'000*	Total *HK$'000*
Revenue from external customers	231,100	6,222	237,322
Reportable segment results	(27,574)	(23,332)	(50,906)
Unallocated corporate income			366
Unallocated corporate expenses			(26,138)
Finance costs			(28,496)
Loss before income tax			(105,174)

There were no inter-segment sales for the years ended 31 March 2021 and 2020.

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 FVTPL, loss arising from extension of promissory note and income tax expense. This is the measure reported to the CODM 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 segments:

At 31 March 2021

	Provision of civil engineering services *HK$'000*	Media and advertising business *HK$'000*	Total *HK$'000*
Segment assets	**100,752**	**1,651**	**102,403**
Unallocated			**72,508**
Consolidated assets			**174,911**
Segment liabilities	**122,801**	**33,232**	**156,033**
Unallocated			**362,071**
Consolidated liabilities			**518,104**

At 31 March 2020

	Provision of civil engineering services *HK$'000*	Media and advertising business *HK$'000*	Total *HK$'000*
Segment assets	112,730	37,223	149,953
Unallocated			98,501
Consolidated assets			248,454
Segment liabilities	116,814	46,006	162,820
Unallocated			357,602
Consolidated liabilities			520,422

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

- all assets are allocated to operating segments other than financial assets at FVTPL, cash and cash equivalents, deferred tax assets and corporate assets. Intangible assets is allocated to segment of television broadcasting business; and,

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

Other segment information

For the year ended 31 March 2021

	Provision of civil engineering services *HK$'000*	**Media and advertising business** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*
Additions to non-current assets	**12,441**	**–**	**–**	**12,441**
Depreciation of property, plant and equipment	**14,820**	**329**	**192**	**15,341**
Depreciation of right-of-use assets	**875**	**1,867**	**2,634**	**5,376**
Amortisation of intangible assets	**–**	**18,316**	**–**	**18,316**
Allowance of ECL on contract assets, net	**93**	**–**	**–**	**93**
Reversal of ECL on trade receivables, net	**(74)**	**–**	**–**	**(74)**
Allowance of ECL on other receivables,net	**97**	**–**	**–**	**97**
Net gain on disposal of property, plant and equipment	**(18)**	**–**	**–**	**(18)**
Change in fair value of financial assets at FVTPL	**–**	**–**	**(2,965)**	**(2,965)**
Impairment loss on intangible assets	**–**	**7,679**	**–**	**7,679**
Impairment loss on right-of-use assets	**633**	**702**	**1,537**	**2,872**

For the year ended 31 March 2020

	Provision of civil engineering services *HK$'000*	Media and advertising business *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
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
Allowance for ECL on contract assets, net	5,407	–	–	5,407
Allowance for ECL on trade receivables, net	7,920	–	–	7,920
Net gain on disposal of property, plant and equipment	(957)	–	–	(957)
Change in fair value of financial assets at FVTPL	–	–	4,636	4,636

Geographical information

Revenue from external customers of the Group was all derived Hong Kong for the years ended 31 March 2021 and 2020.

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

	2021	2020
	HK$'000	*HK$'000*
Hong Kong	**23,154**	60,250
PRC	**1,090**	1,259
	24,244	61,509

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2021	2020
	HK$'000	*HK$'000*
Customer A *(Note (i))*	**104,741**	106,968
Customer B *(Note (i))*	**27,392**	100,707
Customer C *(Note (i) and (ii))*	**28,846**	–
Customer D (Note *(ii) and (iii))*	**31,488**	–

Notes:

(i) Revenue from provision of civil engineering service.

(ii) The corresponding revenue did not contribute over 10% of the Group's revenue for the year ended 31 March 2020.

(iii) Revenue from media and advertising business.

8. LOSS FROM OPERATIONS

	2021	2020
	HK$'000	*HK$'000*
Loss from operations has been arrived at after charging:		
Contract costs recognised as expenses	**235,635**	247,676
Television broadcasting right fee and TV satellite fees (included in cost of services)	**72**	2,123
Costs attributable to media and advertising business (included in cost of services)	**27,415**	–
Other direct costs attributable to media and advertising business (included in cost of services)	**3,189**	2,693
Auditors' remuneration		
– Audit services	**650**	650
– Non-audit services	**–**	–
Depreciation of property, plant and equipment*	**15,341**	18,715
Depreciation of right-of-use assets**	**5,376**	7,211
Staff costs	**88,287**	88,579
Expenses relating to short-term leases	**309**	2,827
(Reversal of)/allowance for expected credit losses recognised for trade receivables, net	**(74)**	7,920
Allowance for expected credit losses recognised for other receivables, net	**97**	–
Allowance for expected credit losses recognised for contract assets, net	**93**	5,407

* *Depreciation of property, plant and equipment of approximately HK$13,877,000 (2020: approximately HK$17,174,000) and HK$1,464,000 (2020: approximately HK$1,541,000) have been separately expensed in contract costs recognised as expenses and administrative expenses respectively.*

** *Depreciation of right-of-use assets of approximately HK$1,742,000 (2020: approximately HK$2,366,000) and HK$3,634,000 (2020: approximately HK$4,845,000) have been separately expensed in cost of services in respect of television broadcasting business and administrative expenses respectively.*

9. FINANCE COSTS

	2021	2020
	HK$'000	*HK$'000*
Interest on:		
Lease liabilities	**176**	366
Promissory note	**826**	2,890
Convertible notes	**8,312**	25,240
	9,314	28,496

10. INCOME TAX

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

	2021	2020
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
– provision for the year	**498**	707
– over-provision in respect of prior years	**(399)**	(39)
	99	668
Current tax – PRC Enterprise Income Tax		
– under-provision in respect of prior years	**–**	521
	99	1,189
Deferred tax		
– provision for the year	**(5,697)**	(5,532)
Income tax credit	**(5,598)**	(4,343)

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%.

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% (2020: 25%).

11. DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31 March 2021 (2020: 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:

	2021	2020
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to the owners of the company for the purpose of basic and diluted loss per share	**(72,946)**	(100,831)

	Number of shares	
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**4,055,350**	4,055,350

Diluted loss per share for the years ended 31 March 2021 and 2020 are the same as the basic loss per share. The computation of diluted loss per share for the years ended 31 March 2021 and 31 March 2020 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

	2021	2020
	HK$'000	*HK$'000*
Trade receivables *(note (i))*	**31,557**	40,841
Allowance for ECL	**(11,792)**	(11,866)
	19,765	28,975
Other receivables	**5,229**	792
Allowance for ECL	**(97)**	–
	5,132	792
Prepayment *(note (ii))*	**38,731**	42,800
Deposits	**5,088**	11,985
	43,819	54,785
	68,716	84,552

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 allowance of ECL, is as follows:

	2021	2020
	HK$'000	*HK$'000*
Current or less than 1 month	**19,765**	28,975

The Group grants an average credit period of 30 days (2020: 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 ECL of trade receivables:

The following table shows movement in lifetime ECL that has been recognised for trade receivables in accordance with simplified approach.

	HK$'000
At at 1 April 2019	3,946
Allowance for ECL, net	7,920
At 31 March 2020 and 1 April 2020	11,866
Reversal of allowance for ECL, net	(74)
At 31 March 2021	**11,792**

(ii) As at 31 March 2021, prepayments mainly comprised of advance payment to subcontractors of approximately HK$31,966,000 (2020: HK$30,674,000)

14. TRADE AND OTHER PAYABLES

	2021	2020
	HK$'000	*HK$'000*
Trade payables	**9,948**	25,355
Retention money payables	**9,113**	10,019
Amounts due to a shareholder *(note (i))*	**23,337**	20,337
Interest payables	**63,724**	54,676
Amount due to related parties *(note (ii))*	**2,009**	2,009
Other payables and accruals *(note (iii))*	**46,807**	34,037
	154,938	146,433
Less: payables within twelve months shown under current liabilities	**(150,018)**	(146,433)
Interest payables shown under non-current liabilities	**4,920**	–

Notes:

(i) Amount due to a shareholder represents amount due to a major substantial shareholder of the Company, China Xinhua NNC, which is unsecured, interest-free and repayable on demand.

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

(iii) As at 31 March 2021, the other payables mainly comprised of amount due to other parties of joint operations of approximately HK$10,161,000 (2020: HK$3,126,000). The amounts are unsecured, interest-free and repayable on demand.

The Group normally settles trade payables within 30 days (2020: 30 days) credit term. Based on the invoice date, ageing analysis of trade payables at the end of the reporting period is as follows:

	2021	2020
	HK$'000	*HK$'000*
Current or less than 1 month	**9,027**	24,239
1 to 3 months	**117**	884
More than 3 months but less than 12 months	**250**	–
More than 12 months	**554**	232
	9,948	25,355

15. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, during the years ended 31 March 2021 and 2020, 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**	**2021**	2020
		HK$'000	*HK$'000*
China Xinhua NNC	Annual fee for television broadcasting right *(note (i))*	**3,000**	3,000
	Accrued interests on convertible notes	**7,697**	7,725

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 rights to Xinhua TV Asia-Pacific for the period form 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.

(b) Compensation of key management personnel of the Group

The key management personnel of the Group are the directors of the Company.

16. COMPARATIVE FIGURES

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 2021:

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 2021, 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 approximately HK$73,752,000 during the year ended 31 March 2021 and, as of that date, the Company's net current liabilities and net liabilities of approximately HK$315,638,000 and HK$343,193,000 respectively, 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 digital marketing business on overseas market in return for advertising and related revenue. During the year ended 31 March 2021, the Group continued to focus on rendering civil engineering services to the public sector in Hong Kong and further develop its television broadcasting business and commence digital marketing business on overseas market in return for advertising and related income.

Provision of civil engineering services

During the year ended 31 March 2021, the Group has been undertaking nine contracts. Among the nine contracts, one 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:

Contract number	**Particulars of contract**	**Client**	**Contract period under main contracts**	
Main contracts				
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	
Subcontracts				
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 – May 2019	**Total contract value** HK$2,276.6 million
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	**Total amount of works certified** *(Note)*
PYC-03084BAH-001	Site Formation, Foundation & Sub-structure Works for the Student Residence Development at The Hong Kong University of Science and Technology	Paul Y. Construction Company Limited	Aug 2020 – Dec 2022	HK$1,200.1 million
ND/2018/02	The Establishment of an Agricultural Pak in Kwu Tung South (Phase 1)	Paul Y. Tsun Yip Joint Venture	Oct 2020 – Oct 2022	
1002EM19A	Design-Build-Operate for the Additional District Cooling System (DCS) at the Kai Tak Development (KTD)	Paul Y – Qianhai Joint Venture	Dec 2020 – Dec 2023	
Joint Operations				
ND/2018/02	The Establishment of an Agricultural Pak in Kwu Tung South (Phase 1)	Civil Engineering and Development Department of the Government	Oct 2020 – Oct 2022	
4/WSD/19	Development of Anderson Road Quarry site – construction of grey water treatment plant	WSD	Sept 2020 – Sept 2025	
CV/2019/04	Site Formation and Infrastructure Works Near Tsz Tin Road and Hing Fu Street in Area 54, Tuen Mun	Civil Engineering and Development Department of the Government	Dec 2020 – Jun 2024	

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

Among the above nine contracts, five contracts (contract numbered ND/2018/02, 4/WSD/19, CV/2019/04, PYC-03084BAH-001 and 1002EM19A) were newly awarded during the year ended 31 March 2021.

During the year ended 31 March 2021, a contract with contract numbered CV/2016/10 was the main contributors to the Group's revenue, which generated approximately HK$104.7 million, constituting approximately 43.8% of the Group's total revenue.

Media and advertising business

In 2020, the rapid spread of the COVID-19 pandemic caused city lockdowns and suspension of work, production and transportation throughout the world. The Group attempted to promote digital marketing activities on overseas video platform during the year to expand the media and advertising business of the Group.

Looking ahead, it would be a difficult year ahead as local economy has suffered a serious hit by the COVID-19 pandemic; economic recovery is on the blurry side. Nevertheless, the Board will make best effort to retain a relative business scale in upcoming year and tends to keep industry strategies prudently onwards. The Group will endeavor to seize the opportunities in the booming advertising sector to step up investments in the advertising market, seeking to tap on new customers, businesses and revenue streams for delivering better returns to its shareholders of the Company.

Financial Review

Revenue

For the year ended 31 March 2021, the Group reported a revenue of approximately HK$239.2 million (2020: approximately HK$237.3 million), representing an increase of approximately 0.81% as compared with that for the previous year. The revenue derived from provision of civil engineering services and media and advertising business constituted approximately 85.5% and 14.5% of the Group's total revenue respectively. The slightly increase in revenue was mainly due to the net impact of (i) increase in advertising income from commencement of digital marketing business and (ii) slightly decrease in revenue in construction works due to decrease in work from certain civil engineering projects reaching the maintenance stage or nearly completion stage as well as keen competition faced by the Group in obtaining new tenders for the year ended 31 March 2021. With the commencement of digital marketing business of the Group during the year ended 31 March 2021, the advertising revenue derived from media and advertising business increased by approximately 4.6 times to approximately HK$34.8 million (2020: approximately HK$6.2 million) as compared with that for the previous year. Majority of the advertising income was derived from the digital marketing business for the year.

During the year ended 31 March 2021, the revenue of the Group was primarily generated from the undertaking of civil engineering contracts in the capacity of a subcontractor and joint ventures. The breakdown of total revenue by nature of capacity of the Group is set forth below:

	For the year ended 31 March			
	2021		2020	
	HK$'000	***% of total***	*HK$'000*	*% of total*
Main contractor	**12,406**	**6.1**	22,667	9.8
Subcontractor	**103,380**	**50.6**	100,707	43.6
Jointly controlled operations	**88,684**	**43.3**	107,726	46.6
Total	**204,470**	**100.0**	231,100	100.0

Cost of services

The Group's cost of services increased by approximately 5.2% to approximately HK$268.1 million (2020: approximately HK$254.8 million) for the year ended 31 March 2021 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 of costs of television broadcasting business and costs of digital marketing 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 News Network Co., Limited ("China Xinhua NNC"). Costs of digital marketing business mainly comprise of costs of usage of information contents to content providers and other direct costs. Other direct operating costs mainly comprise depreciation charges of LED display screens. The increase in cost of services was mainly due to the overall increase in staff costs, materials and subcontracting costs in respect of provision of civil engineering services business and incurrence in costs of digital marketing business as it commenced for the year. The following table sets out a breakdown of the Group's cost of services:

	For the year ended 31 March			
	2021		2020	
	HK$'000	***% of total***	*HK$'000*	*% of total*
Costs of construction services				
Raw materials	**18,632**	**7.0**	18,072	7.1
Direct labour	**78,417**	**29.3**	80,557	31.6
Subcontracting fee	**58,660**	**21.9**	53,217	20.9
Other direct costs	**79,926**	**29.8**	95,830	37.6
Subtotal	**235,635**	**88.0**	247,676	97.2
Costs of media and advertising business				
Transmission costs	**72**	**0.0**	1,373	0.5
Broadcasting fee	**–**	**0.0**	750	0.3
Depreciation of right-of-use assets of transmission costs	**57**	**0.0**	681	0.2
Depreciation of right-of-use assets of broadcasting fee	**1,685**	**0.6**	1,685	0.7
Cost of information contents of digital marketing business	**27,415**	**10.2**	–	–
Other direct costs attributable to media and advertising business	**3,189**	**1.2**	2,693	1.1
Subtotal	**32,418**	**12.0**	7,182	2.8
Total	**268,053**	**100.0**	254,858	100.0

Gross loss

The gross loss for the Group for the year ended 31 March 2021 increased by approximately 64.3% to approximately HK$28.8 million (2020: approximately HK$17.5 million) as compared with that for the previous year. The gross loss margin of the Group was approximately 12.0% (2020: approximately 7.1%) for the year ended 31 March 2021. 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 2021 increased by approximately 11.0 times to approximately HK$12.4 million (2020: approximately HK$1.0 million) as compared with that for the previous year. The other income mainly consisted of interest income and government grants received regarding to novel coronavirus (COVID-19) epidemic during the year.

Other losses, net

The Group's other losses for the year ended 31 March 2021 was amounted to approximately HK$0.9 million (2020: approximately HK$11.8 million). Other losses mainly consisted of loss arising on extension of promissory note and exchange loss, net for the year.

Amortisation expenses

The Group's amortisation expenses for the year ended 31 March 2021 decreased by approximately 0.3% to approximately HK$18.3 million (2020: approximately HK$18.4 million) as compared with that for the previous year. The amortisation expenses mainly consisted of amortisation charges of television broadcasting right 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 2021 was approximately HK$0.8 million (2020: approximately HK$0.8 million). The selling and distribution expenses were mainly consisted of advertising expenses for the television broadcasting business included in media and advertising business for the year.

Administrative expenses

The Group's administrative expenses for the year ended 31 March 2021 increased by approximately 5.8% to approximately HK$26.0 million (2020: approximately HK$24.6 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.

Finance costs

The Group's finance costs for the year ended 31 March 2021 decreased by approximately 67.3% to approximately HK$9.3 million (2020: approximately HK$28.5 million) as compared with that for the previous year. The finance costs mainly consist of interest expenses for the promissory note and convertible notes. The decrease in finance costs was mainly resulted from offset of interest expenses against gains arising from extension of convertible notes for the year.

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 2021 and 2020, 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 2021 and 2020, including but not limited to (i) the financial position of Xinhua TV Asia-Pacific and its subsidiaries as at 31 March 2021 and 2020; (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 18.80%. 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.

During the year ended 31 March 2021, the television broadcasting business was still far behind the development schedule as expected. It had not yet brought in satisfactory return to the Group since the Acquisition. Due to the unsatisfactory results in these years and relatively slow development pace of television broadcasting business, the Directors considered that major inputs regarding revenue were adjusted downwards to reflect the current situation for prudence sake. As such, the recoverable amount of Xinhua TV Asia-Pacific as at 31 March 2021 was assessed to be minimal and the impairment loss, which arose from the difference between the aggregate carrying amount of intangible assets and the recoverable amount of entire equity interest in Xinhua TV Asia-Pacific as at 31 March 2021, of approximately HK$7.7 million is recognised in respect of intangible assets for the year ended 31 March 2021. Except aforesaid, to the best of knowledge and belief of the Directors, there has not been any change of valuation methodology, basis of valuation and assumptions as at 31 March 2021 and no other changes in circumstance and reasons giving rise to changes in valuation approach. All changes of inputs are made to reflect the recent development of television broadcasting business as compared to that expected in previous years.

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, basis of valuation and assumptions 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.

Impairment assessment of contract assets and receivables

The Group made a provision of additional expected credit losses allowance of approximately HK$97,000 and approximately HK$93,000 for other receivables and contract assets respectively and reversal of allowance for expected credit losses of approximately HK$74,000 for trade receivables based on the impairment assessment for the year ended 31 March 2021. 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.

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. As at 31 March 2020, the majority of provision of expected credit losses allowance was mainly related to contract assets and trade receivables ("such receivables") of a civil engineering contract in a capacity of a subcontractor. 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.

Impairment assessment of right-of-use assets

The management of the Group concluded there was indication of impairment and conducted impairment assessment on recoverable amounts of right-of-use assets. The recoverable amount of the relevant assets has been determined on the basis of their value in use and fair value less cost to disposal. That value in used calculation uses cash flow projections based on financial budgets approved by the directors covering a five year period with a pre-tax discount rate are 17.25% and 18.80% for provision of civil engineering services and media and advertising business respectively. The annual growth rate after a five year period used is 2.5% for both segment. The assumptions of annual revenue growth rates are determined based on expectation for the market development and is not expected to exceed the average long-term growth rate. Another key assumption for the value in use calculated is the budgeted gross profit and operating expenses, which is determined based on the recent performance.

Based on the result of the unexpected poor performance of the assessment, the management of the Group determined that the recoverable amount is lower than the carrying amount. An impairment of HK$2,872,000 has been recognised against the carrying amount of right-of-use assets.

Net loss

The net loss attributable to the owners of the Company for the year ended 31 March 2021 decreased by 26.9% to approximately HK$73.8 million (2020: approximately HK$100.8 million) as compared with that for the previous year. The decrease in net loss was mainly resulted from increase in advertising income from commencement of digital marketing business and the government grant received regarding to novel coronavirus (COVID-19) epidemic and decrease in interest expenses during the year.

Loss per Share

The basic loss per Share for the year ended 31 March 2021 was approximately HK1.80 cents (2020: approximately HK2.49 cents).

Prospects

The business environment in Hong Kong was adversely affected by the recent political tension in Hong Kong and the impact due to COVID-19 the outbreak. The COVID-19 remains a significant risk to the Group and its business operations, and is likely to remain so well into 2021. Nevertheless, the Group had tried the best to get the operations back on track as effectively and efficiently by closely working with business partners of the Group. 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 media and advertising business. With the commencement of new business of promoting digital marketing activities on overseas video platform, the Group has diversified the business spectrum and broadened the revenue base of the Group.

Provision of civil engineering services

The general outlook of the industry and the business environment in which the Group operates remain difficult and challenging. The Group has been facing increasing costs of operation, including cost of direct labour and subcontracting charges as well as keen competition in the market which may affect the tendering activities of the construction industry. The current social demonstration and the outbreak of coronavirus may also affect the progress of on-going construction projects. The intense market competition has led to lower value of contracts awarded to the Group and posted negative impact on the performance of the Group. The Group's gross profit margin is also under pressure from the competitive project pricing on tenders and quotations, which in turn affect the financial performance of the Group.

Looking forward, the Group anticipates that the Hong Kong construction market will remain challenging with rising trend in subcontracting costs and intensive competition, which is expected to continue to place repeated pressure on the profit margin of the Group. The Group will also proactively seek for potential business opportunities that can broaden the sources of income of the Group and enhance value to the shareholders of the Company.

Media and advertising business

The COVID-19 epidemic has brought about unprecedented challenges and turmoil in the global economy. Under the current circumstances, the Group expects the media and advertising industry's prospects to remain challenging for the coming year. To tackle with the overall harsh operating environment in media industry, the Group attempts to expand its media and advertising business from traditional television platforms to internet and multimedia platforms. Looking ahead, the Group aims to promote brand awareness further and enrich the variety and contents of the programmes as well as the marketing channels of the Group in the future. Also, the Group will continue to integrate various resources to actively seek business opportunities that can help maintain the future development of the Group and bring better returns to the shareholders of the Company.

While it remains uncertain as to when the COVID-19 epidemic will end and the Hong Kong economy can fully recover, the Board will continue to monitor and assess the situation with respect to COVID-19, and remain committed to mitigate any adverse risk or impact COVID-19 may have on the operating and financial performance of the Group.

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$345.1 million in deficit as at 31 March 2021 (31 March 2020: approximately HK$272.0 million). The decrease in equity was mainly resulted from net loss for the year.

Liquidity and Financial Resources

During the year ended 31 March 2021, the Group generally financed its operations through internally generated cash flows.

As at 31 March 2021, the Group had net current liabilities of approximately HK$315.6 million (31 March 2020: approximately HK$322.7 million), including cash balance of approximately HK$66.7 million (31 March 2020: approximately HK$91.2 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 0.32 as at 31 March 2021 (31 March 2020: approximately 0.37). The decrease in current ratio were primarily due to the decrease of current assets for the year.

Gearing Ratio

The gearing ratio, which is based on the total amount of promissory note, convertible notes, lease liabilities and advance received from customers divided by total assets, was approximately 202.6% as at 31 March 2021 (31 March 2020: approximately 145.0%). The increase in gearing ratio was resulted from decrease in total assets which was resulted from amortization of intangible assets and impairment of intangible assets and right-of-use 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 2021, 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 2021, the Group did not have any significant capital commitments.

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

Charges on the Group's Assets

As at 31 March 2021, the Group's motor vehicles with net book values amounted to approximately HK$1.1 million (2020: approximately HK$2.1 million) were held under finance lease.

Contingent Liabilities

As at 31 March 2021, the Group did not have any material contingent liabilities (31 March 2020: Nil).

Information on Employees

As at 31 March 2021, the Group had 240 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 2021 amounted to approximately HK$88.3 million (2020: approximately HK$88.6 million), representing a decrease of approximately 0.3% over that for the previous year. The decrease was mainly due to the effective cost control for the year.

Significant Investment Held

Except for investment in subsidiaries, during the year ended 31 March 2021 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 2021, 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 2021, 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 2021.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 5 August 2021 to Wednesday, 11 August 2021, 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 Wednesday, 4 August 2021.

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 2021.

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 2021, except paragraphs A.1.8, A.5.1, 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 Period.

Following the retirement of Mr. Fan Chun Wah, Andrew, JP ("Mr. Fan") as an independent non-executive Director, Mr. Fan ceased to be the chairman and a member of the risk management committee of the Company (the "Risk Management Committee"), a member of the nomination committee of the Company (the "Nomination Committee") and a member of the remuneration committee of the Company, all with effect from the conclusion of the annual general meeting held on 11 August 2020. Accordingly, (i) there will be a vacancy for chairman of the Risk Management Committee as required under the terms of reference of the Risk Management Committee; and (ii) the Nomination Committee comprises three executive Directors and three independent non-executive Directors and accordingly, the Company no longer fulfils the requirement of establishing a nomination committee comprising a majority of independent non-executive directors under paragraph A.5.1 of the Code as set out in Appendix 15 to the GEM Listing Rules. As such, the Company will actively look for a suitable candidate to fill the vacancy as soon as practicable, and will make further announcement(s) as and when appropriate.

Pursuant to code provision A.1.8 of the Code, the Company should arrange appropriate insurance cover in respect of legal action against its Directors. Such directors' liability insurance will be reviewed and renewed annually. Upon the expiry of existing insurance cover on 30 August 2020, the Company did not arrange appropriate insurance cover in respect of legal action against its Directors as it took time for the Company to solicit a suitable insurer at reasonable commercial terms and conditions.

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 2021, 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 11 August 2020 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

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented in countries where the Group operates. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact to the Group.

On 25 January 2021, the Company entered into a supplemental deed with China Xinhua NNC, pursuant to which the maturity date of the outstanding convertible notes of principal amount of HK$257,030,210 will be extended to 9 December 2021. The amendment of terms and conditions has been approved by the shareholders of the Company at the extraordinary general meeting and the Stock Exchange on 11 June 2021 and 22 June 2021. The above-said amendment of terms and conditions will be subject to approval by the Stock Exchange. Further details of the amendment of terms and conditions were set out in the Company's announcement dated 25 January 2021 and the Company's circular dated 18 May 2021.

Save for disclosed above, no significant event has taken place subsequent to 31 March 2021 and up to the date of this report.

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.

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

Hong Kong, 30 June 2021

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

1 *Executive Director*
2 *Non-executive Director*
3 *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.