



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 2023

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	2023 HK\$'000	2022 HK\$'000
Revenue	21.6%	496,457	408,175
Gross profit/(loss)	N/A	3,420	(9,356)
Loss before income tax	69.3%	(12,906)	(42,059)
Loss attributable to the owners of the Company	77.4%	(9,440)	(41,729)
Basic loss per Share (HK cents)	77.7%	(0.23)	(1.03)
Dividend per Share (HK cents)	N/A	N/A	N/A

Consolidated Financial Position

As at 31 March

	Changes	2023 HK\$'000	2022 HK\$'000
Total assets	15.0%	245,543	213,481
Cash and cash equivalents	21.3%	51,619	42,560
Total liabilities	6.9%	640,349	598,789
Equity attributable to the owners of the Company	-2.5%	(396,277)	(386,796)

Ratios

As at 31 March

	2023	2022
Return on equity (Note a)	N/A	N/A
Return on assets (Note b)	-3.9%	-19.7%
Current ratio (Note c)	0.37 time	0.32 time
Gearing ratio (Note d)	160.8%	173.8%

Notes:

- Return on equity is calculated as net loss divided by Shareholders' equity.
- Return on assets is calculated as net loss divided by total assets.
- Current ratio is calculated as total current assets divided by total current liabilities.
- Gearing ratio is calculated as total amount of promissory note, convertible notes, lease liabilities and contract liabilities 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 substantial 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 2023
“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
“Mr. Kan”	Mr. Kan Kwok Cheung (簡國祥), an executive Director
“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
“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 consolidated results of the Group for the year ended 31 March 2023 together with the comparative figures for 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2023

	<i>Notes</i>	2023 HK\$'000	2022 HK\$'000
Revenue	4	496,457	408,175
Cost of services		<u>(493,037)</u>	<u>(417,531)</u>
Gross profit/(loss)		3,420	(9,356)
Other income	5	4,603	4,487
Other gains/(losses), net	6	7,435	(453)
Selling and distribution expenses		–	(770)
Administrative and operating expenses		(15,181)	(17,452)
Impairment loss on property, plant and equipment		–	(1,517)
Change in fair value of financial assets at fair value through profit or loss		<u>–</u>	<u>3,575</u>
Profit/(loss) from operations	8	277	(21,486)
Finance costs	9	<u>(13,183)</u>	<u>(20,573)</u>
Loss before income tax		(12,906)	(42,059)
Income tax	10	<u>3,449</u>	<u>(93)</u>
Loss for the year		(9,457)	(42,152)
Other comprehensive (loss)/income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>(41)</u>	<u>37</u>
Total comprehensive loss for the year		<u><u>(9,498)</u></u>	<u><u>(42,115)</u></u>

		2023	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the year attributable to:			
– Owners of the Company		(9,440)	(41,729)
– Non-controlling interest		<u>(17)</u>	<u>(423)</u>
		<u>(9,457)</u>	<u>(42,152)</u>
Total comprehensive loss for the year attributable to			
– Owners of the Company		(9,481)	(41,692)
– Non-controlling interest		<u>(17)</u>	<u>(423)</u>
		<u>(9,498)</u>	<u>(42,115)</u>
Loss per share attributable to the owners of the Company			
– Basic and diluted (<i>HK cents</i>)	<i>12</i>	<u>(0.23)</u>	<u>(1.03)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2023

	<i>Notes</i>	2023 HK\$'000	2022 HK\$'000
Non-current assets			
Property, plant and equipment		16,635	17,922
Right-of-use assets		11,465	3,975
		<u>28,100</u>	<u>21,897</u>
Current assets			
Trade and other receivables	<i>13</i>	124,647	124,266
Contract assets		41,177	24,758
Cash and cash equivalents		51,619	42,560
		<u>217,443</u>	<u>191,584</u>
Total assets		<u>245,543</u>	<u>213,481</u>
Current liabilities			
Trade and other payables	<i>14</i>	229,928	217,335
Contract liabilities		88,790	65,228
Lease liabilities		5,558	2,648
Promissory note		–	44,949
Convertible notes		257,030	257,030
Employee benefits		6,514	7,590
Tax payable		133	807
		<u>587,953</u>	<u>595,587</u>
Net current liabilities		<u>(370,510)</u>	<u>(404,003)</u>
Total assets less current liabilities		<u>(342,410)</u>	<u>(382,106)</u>

	<i>Notes</i>	2023 HK\$'000	2022 HK\$'000
Non-current liabilities			
Interest payables	<i>14</i>	6,777	–
Lease liabilities		2,907	1,221
Promissory note		40,429	–
Deferred tax liabilities		2,283	1,981
		<u>52,396</u>	<u>3,202</u>
Total liabilities		<u>640,349</u>	<u>598,789</u>
Net liabilities		<u>(394,806)</u>	<u>(385,308)</u>
Capital and reserves			
Share capital		4,055	4,055
Reserves		(400,332)	(390,851)
		(396,277)	(386,796)
Non-controlling interests		1,471	1,488
Total equity		<u>(394,806)</u>	<u>(385,308)</u>

NOTES TO THE CONSOLIDATED 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 Flat 314, 3/F., Fuk Shing Commercial Building, 28 On Lok Mun Street, Fanling, New Territories respectively. Its substantial shareholder is China Xinhua News Network Co., Limited (“China Xinhua NNC”), a private limited company incorporated in Hong Kong and wholly-owned by 中國新華新聞電視網有限公司 (“CNC China”) (a company incorporated in the PRC), 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.

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

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

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountant (“HKICPA”) for the first time, which are mandatorily effective for their annual reporting period commencing 1 April 2022 for the preparation of consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020
Amendments to Accounting Guideline 5	Merger Accounting to Common Control Combinations

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance 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 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangement ³
HK Interpretation 5 (2020)	Presentation of financial statement – classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ³

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

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2024.

The directors of the Company 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.

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 “Leases”, 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 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 in view of fact that:

- the Group incurred a net loss of approximately HK\$9,457,000 during the year ended 31 March 2023 and as of that date, the Group’s net current liabilities and net liabilities amounted to approximately HK\$370,510,000 and HK\$394,806,000 respectively;
- As at 31 March 2023, the Group had outstanding convertible notes of principal amount of approximately HK\$257,030,000 (the “Convertible Notes”) and interests thereon of approximately HK\$74,226,000 (the “Convertible Notes Interest”) in respect of which the Group was in default in settlement as at the date of this announcement;
- the Group owed the amount to a substantial shareholder of approximately HK\$24,587,000 (the “On Demand Debt”) as at 31 March 2023 which was repayable on demand; and
- the Group’s promissory notes of approximately HK\$40,429,000 and interest thereon of approximately HK\$6,777,000 which are due for repayment in the next twelve months after the date of approval of these consolidated financial statements (the “Promissory Notes”).

The conditions described above indicate the existence of a material uncertainty that cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realize its assets and discharge its liabilities in the normal course of business.

The Group is actively exploring options to restructure the capital and debts of the Group including but not limited to the followings:

1. the Company has entered into conditional agreement with Mr. Kan, a shareholder of the Company, for the allotment and issuance of a total of 1,666,666,667 subscription shares at the share subscription price of HK\$0.012 per subscription share for a total consideration of approximately HK\$20,000,000;
2. the Company has entered into a conditional agreement with the holder of the Convertible Notes, which is also a substantial shareholder of the Company, for the amendments of certain terms of the Convertible Notes in relation to, among others, the amendment of interest rate from 3% to 0.8% per annum and the extension of the maturity date of the Convertible Notes to 9 December 2025;
3. the Company has entered into a conditional agreement to issue new convertible notes in the principal amount of approximately HK\$64,128,000 to set off the Convertible Notes Interest;
4. the Company has entered into a conditional agreement to issue new convertible bonds in the principal amount of HK\$16,240,000 to set off part of the outstanding balance of the On Demand Debt;
5. the Company is negotiating with its promissory notes holder to extend the repayment dates of principal and the interest amounts accrued on the Promissory Notes; and
6. Mr. Kan has confirmed to provide financial support to the Group in a reasonable manner under relevant laws and regulatory requirements and also granted a loan facility of up to HK\$60,000,000 to the Group to maintain the going concern of the Company.

In addition, the management of the Company is endeavoring to improve the Group's operating results and cash flows through cost control measures and will focus on the existing business of the Group.

The directors of the Company are of the opinion that it is appropriate to prepare these consolidated financial on going concern basis. The validity of the preparation of these consolidated financial on going concern basis depends on the successful eventual outcome of the above-mentioned plans and measures, which are inherently uncertain, including whether the Group will be able to successfully negotiate and agree with the holders of Convertible Notes and Promissory Notes to amend, renew or extend the existing debts or complete shares subscription to provide funds for the Group to meet its liabilities as they fall due.

As at the date of approval for issuance of these consolidated financial, the above-mentioned plans have been initially formulated but the eventual outcome cannot be determined with reasonable certainty and are still subject to multiple uncertainties. Accordingly, the material uncertainty that cast significant doubt on the Group's ability to continue as a going concern remains in existence as at the date of approval for issuance of these consolidated financial. Should the Group fail to achieve successful outcomes from the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying amounts of the Group's assets to their net recoverable amounts, to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these consolidated financial.

(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 2023 and 2022 were as follows:

(i) **Disaggregation of revenue from contracts with customers**

	2023 <i>HK\$’000</i>	2022 <i>HK\$’000</i>
Construction works	<u>496,457</u>	<u>408,175</u>
Revenue recognised over time	<u><u>496,457</u></u>	<u><u>408,175</u></u>

(ii) **Transaction price allocated to the remaining performance obligation for contracts with customers**

The aggregated amount of the transaction price allocated to the remaining performance obligation under the Group’s existing contracts is as follow:

	2023 <i>HK\$’000</i>	2022 <i>HK\$’000</i>
Within one year	398,248	265,950
More than one year	<u>628,637</u>	<u>695,840</u>
	<u><u>1,026,885</u></u>	<u><u>961,790</u></u>

This amount represents revenue expected to be recognised in the future from pre-completion construction contracts entered into by the customers with the Group.

5. **OTHER INCOME**

	2023 <i>HK\$’000</i>	2022 <i>HK\$’000</i>
Interest income	14	82
Government subsidies (<i>Note</i>)	2,561	–
Sundry income	<u>2,028</u>	<u>4,405</u>
	<u><u>4,603</u></u>	<u><u>4,487</u></u>

Note: During the year ended 31 March 2023, the Group recognised Government grant of approximately HK\$2,442,000 (2022: HK\$nil) in respect of COVID-19 related subsidies which is related to Employment Support Scheme provided by Hong Kong Government and subsidy from Construction Industry Council of approximately HK\$119,000 (2022: HK\$nil).

6. OTHER GAINS/(LOSSES), NET

Other gains/(losses), net recognised during the years ended 31 March 2023 and 2022 were as follows:

	2023	2022
	HK\$'000	HK\$'000
Exchange gain, net	2	3
Net gain on disposal of property, plant and equipment	1,217	453
Net loss on termination of lease	(237)	–
Allowance for expected credit loss (“ECL”) recognised for trade receivables, net	(83)	(707)
Reversal of/(allowance for) ECL recognised for other receivables and deposits, net	122	(53)
Allowance for ECL recognised for contract assets, net	(308)	(149)
Gain on modification of promissory note	6,722	–
	7,435	(453)

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 2023

	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	496,457	–	496,457
Reportable segment results	<u>(2,474)</u>	<u>(402)</u>	(2,876)
Unallocated corporate income			6,770
Unallocated corporate expenses			(3,617)
Finance costs			<u>(13,183)</u>
Loss before income tax			<u>(12,906)</u>

For the year ended 31 March 2022

	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	408,175	–	408,175
Reportable segment results	<u>(18,122)</u>	<u>(2,965)</u>	(21,087)
Unallocated corporate income			3,622
Unallocated corporate expenses			(4,021)
Finance costs			<u>(20,573)</u>
Loss before income tax			<u>(42,059)</u>

There were no inter-segment sales for the years ended 31 March 2023 and 2022.

Segment profit/loss represents the profit earned/loss incurred by each segment without allocation of central administration costs, interest income, finance costs, gain on modification of promissory note, change in fair value of financial assets at fair value through profit or loss and income tax expense. This is the measure reported to the 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 2023

	Provision of civil engineering services <i>HK\$'000</i>	Media and advertising business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	193,741	41	193,782
Unallocated			51,761
Consolidated assets			245,543
Segment liabilities	220,320	34,447	254,767
Unallocated			385,582
Consolidated liabilities			640,349

At 31 March 2022

	Provision of civil engineering services <i>HK\$'000</i>	Media and advertising business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	170,104	46	170,150
Unallocated			43,331
Consolidated assets			213,481
Segment liabilities	182,623	34,345	216,968
Unallocated			381,821
Consolidated liabilities			598,789

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

- all assets are allocated to operating segments other than cash and cash equivalents and corporate assets; and
- all liabilities are allocated to operating segments other than convertible notes, tax payable, deferred tax liabilities, promissory note and corporate liabilities.

Other segment information

For the year ended 31 March 2023

	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	18,965	–	–	18,965
Depreciation of property, plant and equipment	7,353	–	–	7,353
Depreciation of right-of-use assets	3,564	–	–	3,564
Allowance of ECL on contract assets, net	308	–	–	308
Allowance of ECL on trade receivables, net	83	–	–	83
Reversal of ECL on other receivables and deposits, net	(88)	–	(34)	(122)
Net gain on disposal of property, plant and equipment	(1,217)	–	–	(1,217)
Net loss on termination of lease	237	–	–	237

For the year ended 31 March 2022

	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	10,998	–	–	10,998
Depreciation of property, plant and equipment	10,679	42	46	10,767
Depreciation of right-of-use assets	545	–	–	545
Allowance of ECL on contract assets, net	149	–	–	149
Allowance of ECL on trade receivables, net	707	–	–	707
Allowance of ECL on other receivables and deposits, net	19	–	34	53
Net gain on disposal of property, plant and equipment	(453)	–	–	(453)
Impairment loss on property, plant and equipment	476	1,041	–	1,517

Geographical information

Revenue from external customers of the Group was all derived Hong Kong for the years ended 31 March 2023 and 2022.

All non-current assets are located in Hong Kong.

Information about major customers

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

	2023 HK\$'000	2022 HK\$'000
Customer A (Note (i))	75,274	51,661
Customer B (Note (i) and (ii))	–	81,137
Customer C (Note (i) and (ii))	–	42,185
Customer D (Note (i) and (ii))	92,791	–
Customer E (Note (i))	135,470	87,858
Customer F (Note (i))	99,928	79,236

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 respective year.

8. PROFIT/(LOSS) FROM OPERATIONS

	2023 HK\$'000	2022 HK\$'000
Profit/(loss) from operations has been arrived at after charging/(crediting):		
Contract costs recognised as expenses*	493,037	417,531
Auditors' remuneration		
– Audit services	650	650
Depreciation of property, plant and equipment**	7,353	10,767
Depreciation of right-of-use assets***	3,564	545
Staff costs****	99,878	99,608
Change in fair value of financial assets at fair value through profit or loss*****	–	(3,575)
Expenses relating to short-term leases	439	220

* Contract costs recognised as expenses mainly include subcontracting fee of approximately HK\$254,792,000 (2022: HK\$192,197,000) and raw materials of approximately HK\$62,459,000 (2022: HK\$34,696,000).

** Depreciation of property, plant and equipment of approximately HK\$6,505,000 (2022: HK\$9,867,000) and HK\$848,000 (2022: HK\$900,000) have been separately expensed in cost of services and administrative and operating expenses respectively.

*** Depreciation of right-of-use assets of approximately HK\$2,911,000 (2022: HK\$545,000) and HK\$653,000 (2022: HK\$nil) have been separately expensed in cost of services and administrative and operating expenses respectively.

**** Included in the staff costs, approximately HK\$95,684,000 (2022: HK\$91,668,000) was charged in cost of services.

***** For the year ended 31 March 2022, the amount represented the realised gain from the financial assets at fair value through profit or loss.

9. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest on:		
Lease liabilities	377	108
Promissory note	2,708	1,716
Default interest of convertible notes	10,098	–
Convertible notes	–	18,749
	<u>13,183</u>	<u>20,573</u>

10. INCOME TAX

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
– provision for the year	260	218
– over-provision in respect of prior years	(4,011)	–
	<u>(3,751)</u>	<u>218</u>
Deferred tax		
– provision for the year	302	(125)
Income tax (credit)/expenses	<u>(3,449)</u>	<u>93</u>

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

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% (2022: 25%).

11. DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31 March 2023 (2022: 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:

	2023	2022
	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	<u><u>(9,440)</u></u>	<u><u>(41,729)</u></u>
	Number of shares	
	'000	'000
Weighted average number of ordinary shares for the purpose of		
basic and diluted loss per share	<u><u>4,055,350</u></u>	<u><u>4,055,350</u></u>

Diluted loss per share for the years ended 31 March 2023 and 2022 are the same as the basic loss per share. The computation of diluted loss per share for the years ended 31 March 2023 and 2022 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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables (<i>note (i)</i>)	74,051	82,645
Allowance for ECL	<u>(3,431)</u>	<u>(3,348)</u>
	<u>70,620</u>	<u>79,297</u>
Other receivables (<i>note (iii)</i>)	814	698
Deposits	3,643	6,759
Allowance for ECL	<u>(28)</u>	<u>(150)</u>
	<u>4,429</u>	<u>7,307</u>
Prepayment (<i>note (ii)</i>)	<u>49,598</u>	<u>37,662</u>
	<u>124,647</u>	<u>124,266</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 allowance of ECL, is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current to 1 month	56,322	68,040
More than 1 months but less than 3 months	13,826	11,257
More than 3 months but less than 12 months	<u>472</u>	<u>–</u>
	<u>70,620</u>	<u>79,297</u>

The Group grants an average credit period of 30 days (2022: 30 days) to its trade customers of contract works. Application for progress payments of contract works is made on a regular basis.

- (ii) As at 31 March 2023, prepayments mainly comprised of advance payment to subcontractors of approximately HK\$34,953,000 (2022: HK\$31,162,000) and prepaid insurance of approximately HK\$14,382,000 (2022: HK\$6,371,000).
- (iii) As at 31 March 2023, the other receivables mainly comprised of amounts due from other partners of joint operations of approximately HK\$29,000 (2022: HK\$40,000). The amounts are unsecured, interest-free and repayable on demand.

14. TRADE AND OTHER PAYABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	55,467	56,326
Retention money payables	31,281	19,488
Amounts due to a shareholder (<i>note (i)</i>)	24,587	24,587
Interest payables (<i>note (ii)</i>)	81,003	70,399
Amount due to a related party (<i>note (iii)</i>)	2,009	2,009
Other payables and accruals (<i>note (iv)</i>)	42,358	44,526
	<u>236,705</u>	<u>217,335</u>
<i>Less: payables within twelve months shown under current liabilities</i>	<u>(229,928)</u>	<u>(217,335)</u>
Interest payables shown under non-current liabilities	<u>6,777</u>	<u>–</u>

Notes:

- (i) Amount due to a shareholder represents amount due to a major substantial shareholder of the Company, China Xinhua NNC, in respect of annual fee for television broadcasting right, carriage fee payment and satellite transmission fee which is unsecured, interest-free and repayable on demand.
- (ii) Interest payables represented interest of promissory note and convertible notes of approximately HK\$6,777,000 and HK\$74,226,000 (2022: HK\$6,271,000 and HK\$64,128,000) respectively. As at 31 March 2023, the Company had default in repayment of principal amount of convertible notes of approximately HK\$257,030,000 (2022: HK\$257,030,000) and interest thereon of approximately HK\$74,226,000 (2022: HK\$64,128,000).
- (iii) Amount due to a related party represented amount due to 新華音像中心. 新華音像中心 and China Xinhua NNC which have a common shareholder, Xinhua News Agency (新華社). The amount is unsecured, interest-free and repayable on demand.
- (iv) As at 31 March 2023, the other payables mainly comprised of amount due to other parties of joint operations of approximately HK\$12,417,000 (2022: HK\$12,316,000). The amounts were unsecured, interest-free and repayable on demand.

The Group normally settles trade payables within 30 days (2022: 30 days) credit term. Based on the invoice date, ageing analysis of trade payables at the end of the reporting period is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current to 1 month	35,775	32,142
More than 1 months but less than 3 months	16,888	21,389
More than 3 months but less than 12 months	7	237
More than 12 months	2,797	2,558
	<u>55,467</u>	<u>56,326</u>

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. During the year ended 31 March 2023, the Group continued to focus on rendering civil engineering services to the public sector in Hong Kong, conducted its media and advertising business in return for advertising and related income.

Provision of civil engineering services

During the year ended 31 March 2023, the Group has been undertaking ten contracts. Among the ten contracts, one of these is 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				
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–June 2020	
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	
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	
ND/2018/02	The Establishment of an Agricultural Pak in Kwu Tung South (Phase 1)	Harvest – 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	
EP/SP/10/91	South East-New Territories (SENT) Landfill Extension	Paul Y. Construction & Engineering Co. Limited	July 2021–July 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	Sep 2020–Sep 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	
CV/2022/08	Site Formation and Infrastructure Works at Area 48, Fanling	Civil Engineering and Development Department of the Government	Jan 2023–Jan 2027	
				Total contract value HK\$2,812.5 million
				Total amount of works certified (Note) HK\$2,036.1 million

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

Among the above ten contracts, a contract (contract numbered CV/2022/08) were newly awarded during the year ended 31 March 2023.

During the year ended 31 March 2023, contracts with contract numbered CV/2019/04 and 1002EM19A were the main contributors to the Group's revenue, which generated approximately HK\$118.5 million and approximately HK\$135.5 million, constituting approximately 23.9% and 27.3% of the Group's total revenue respectively.

Media and advertising business

Following the expiry of the exclusive television broadcasting right granted by China Xinhua NNC to the Group on 31 August 2021, the Group has yet to successfully identify suitable broadcasting rights and licenses to resume the television broadcasting business since then. During the year under review, the Group has also attempted to tap into the digital marketing business in overseas market through different online media platforms, such as YouTube. However, due to the outbreak of the COVID-19 pandemic and ever-changing users' habit, the Group has not been able to identify suitable business opportunities and strategic partners. The management of the Group will continue to develop and improve its business strategies for the media and advertising Business and enhance return to the Shareholders.

The Group has been actively monitoring market conditions and taking appropriate measures to mitigate the impact resulted from unfavorable market factors. The Group has been taking measures to enhance its cost control measures and resources management policies while actively participating in tendering and bidding to maintain its market competitiveness despite the difficulties encountered.

Financial Review

Revenue

For the year ended 31 March 2023, the Group reported a revenue of approximately HK\$496.5 million (2022: approximately HK\$408.2 million), representing an increase of approximately 21.6% as compared with that for the previous year. All of the Group's revenue were derived from provision of civil engineering services during the year ended 31 March 2023. The overall increase in revenue was mainly due to increase in works for civil engineering projects for the year ended 31 March 2023.

During the year ended 31 March 2023, 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			
	2023		2022	
	<i>HK\$'000</i>	<i>% of total</i>	<i>HK\$'000</i>	<i>% of total</i>
Main contractor	354	–	1,234	0.3
Subcontractor	321,255	64.8	270,263	66.2
Jointly controlled operations	174,848	35.2	136,678	33.5
Total	496,457	100.0	408,175	100.0

Cost of services

The Group's cost of services increased by approximately 18.1% to approximately HK\$493.0 million (2022: approximately HK\$417.5 million) for the year ended 31 March 2023 as compared with that for the previous year. The Group's cost of services mainly includes costs of construction services and costs of media and advertising business. Costs of construction services mainly comprise raw materials, direct labour and subcontracting fee for services provided by the subcontractors. Since the media and advertising business remained stagnant, no significant costs of media and advertising business and other direct operating costs were incurred for the year ended 31 March 2023 and 2022. The increase in cost of services was mainly due to the overall increase in staff costs, materials and subcontracting costs in respect of increase of works for civil engineering projects from provision of civil engineering services business for the year. The following table sets out a breakdown of the Group's cost of services:

	For the year ended 31 March			
	2023		2022	
	<i>HK\$'000</i>	<i>% of total</i>	<i>HK\$'000</i>	<i>% of total</i>
Costs of construction services				
Raw materials	62,459	12.7	34,696	8.3
Direct labour	95,684	19.4	91,668	22.0
Subcontracting fee	254,792	51.7	192,197	46.0
Other direct costs	80,102	16.2	98,970	23.7
Subtotal	493,037	100.0	417,531	100.0
Costs of media and advertising business				
Subtotal	–	–	–	–
Total	493,037	100.0	417,531	100.0

Gross profit/(loss)

The gross profit for the Group for the year ended 31 March 2023 amounted to approximately HK\$3.4 million (2022: gross loss of approximately HK\$9.4 million). The gross profit margin of the Group amounted to approximately 0.7% (2022: gross loss margin of approximately 2.3%) for the year. The turnaround from gross loss to gross profit was mainly due to the increase in work from certain civil engineering projects which were in early working stage with higher gross profit margin and the implementation of operation plans by the Group to control construction costs.

Other income

The Group's other income for the year ended 31 March 2023 increased by approximately 2.6% to approximately HK\$4.6 million (2022: approximately HK\$4.5 million) as compared with that for the previous year. The other income consisted of subsidies of the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Government and other income.

Other gains/(losses), net

The Group's other gains, net for the year ended 31 March 2023 amounted to approximately HK\$7.4 million (2022: other losses, net of approximately HK\$0.5 million). Other gains, net mainly consisted of gain on modification of promissory note and net gains on disposal of property, plant and equipment.

Selling and distribution expenses

The Group's selling and distribution expenses for the year ended 31 March 2023 was amounted to approximately HK\$NIL (2022: 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 and operating expenses

The Group's administrative and operating expenses for the year ended 31 March 2023 decreased by approximately 13.0% to approximately HK\$15.2 million (2022: approximately HK\$17.5 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 2023 decreased by approximately 35.9% to approximately HK\$13.2 million (2022: approximately HK\$20.6 million) as compared with that for the previous year. The finance costs mainly consist of interest expenses for the promissory note and default interests on convertible notes. The decrease in finance costs was mainly due to the reduction of effective interest expense on convertible notes due to its maturity in December 2021.

Impairment assessment of contract assets and receivables

The Group made a provision of additional expected credit losses allowance of approximately HK\$83,000 (2022: allowance of approximately HK\$707,000) and approximately HK\$308,000 (2022: approximately HK\$149,000) for trade receivable and contract assets based on the impairment assessment for the year ended 31 March 2023. 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.

Impairment assessment of property, plant and equipment and right-of-use assets

As at 31 March 2023 and 2022, the management of the Group conducted impairment assessment on recoverable amounts of property, plant and equipment and right-of-use assets respectively. 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. An impairment of approximately HK\$NIL (2022: approximately of HK\$1,517,000) and HK\$NIL (2022: approximately HK\$NIL) has been recognised against the carrying amount of property, plant and equipment and right-of-use assets during the year ended 31 March 2023 respectively.

Net loss

The net loss of the Group for the year ended 31 March 2023 decreased by 77.6% to approximately HK\$9.5 million (2022: approximately HK\$42.1 million) as compared with that for the previous year. The decrease in net loss was mainly due to turnaround from gross loss to gross profit and decrease in finance costs during the year.

Loss per Share

The basic loss per Share attributable to the owners of the Company for the year ended 31 March 2023 was approximately HK0.23 cent (2022: approximately HK1.03 cents).

Prospects

The global outbreak of the novel coronavirus COVID-19 and its variants have been causing continuous unprecedented disruptions in business operations and the Hong Kong economy as a whole seriously since January 2020. Amid the uncertain economic outlook, the provision of civil engineering service business will continue to provide a stable revenue source and remain the major contributor to the Group's revenue while the Group is endeavoured to develop its media and advertising business. The Group will continue to adopt the strategy of diversifying the business spectrum and broadening the revenue base of the Group.

Provision of civil engineering services

Going forward, the prospect of provision of civil engineering services is expected to be challenging in the coming years. The competition in the market is still as fierce as ever. To tackle with the forthcoming difficulties, the Group has been actively monitoring market conditions and taking appropriate measures to mitigate any negative impact on the business and performance of the Group. The Group will closely monitor the projects' progress and communicate with suppliers and subcontractors, maintain close communication with customers on the latest project works schedules and arrangements. The Group will also continue to strengthen its cost control measures and resources management policies, and actively participate in tendering and bidding to maintain its market competitiveness. Despite the difficulties encountered, the Group is conservatively optimistic on the Group's construction business as a result of the long-term infrastructure investment policy in Hong Kong. The Group is well positioned to capitalize on this growth opportunity, thanks to our strong brand reputation, experienced management team, and dedicated workforce and remains committed to driving sustainable growth in this segment and creating long-term value for the shareholders of the Company.

Media and advertising business

During the year, the performance of media and advertising services segment was severely suffered due to uncertain economic outlook and weak consumer demands. The Group anticipated that the prospects for the media and advertising business will become more promising in 2023 due to the improved macroeconomic atmosphere and market conditions coupled with the increase in clients' advertising budgets. The Group will monitor the advertising market situation in Hong Kong closely with strategic plans in controlling the operation costs and expenses whilst allocating its resources to maintaining the servicing quality and seeking for other business opportunities in the industry.

The Group will continue to cautiously monitor the business opportunities and continue to strengthen its competitiveness in the market to enhance the profitability of the Group and interests of the shareholders of the Company.

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\$396.3 million in deficit as at 31 March 2023 (31 March 2022: approximately HK\$386.8 million). The decrease in equity was mainly resulted from net loss for the year.

Liquidity and Financial Resources

During the year ended 31 March 2023, the Group generally financed its operations through internally generated cash flows.

As at 31 March 2023, the Group had net current liabilities of approximately HK\$370.5 million (31 March 2022: approximately HK\$404.0 million), including cash balance of approximately HK\$51.6 million (31 March 2022: approximately HK\$42.6 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 0.37 as at 31 March 2023 (31 March 2022: approximately 0.32).

Gearing Ratio

The gearing ratio, which is based on the total amount of promissory note, convertible notes, lease liabilities and contract liabilities divided by total assets, was approximately 160.8% as at 31 March 2023 (31 March 2022: approximately 173.8%).

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 2023, the Group was mainly exposed to foreign currency exchange risk of Renminbi and the management mainly monitored the foreign currency exchange risk with advices from the Group's major banks.

Capital Commitment

As at 31 March 2023, the Group did not have any significant capital commitments (31 March 2022: Nil).

Charges On The Group's Assets

As at 31 March 2023, the Group's machinery with net book values amounted to approximately HK\$9.4 million (2022: approximately HK\$4.0 million) were held under finance lease.

Contingent Liabilities

As at 31 March 2023, the Group did not have any material contingent liabilities (31 March 2022: Nil).

Information On Employees

As at 31 March 2023, the Group had 228 full-time staff in Hong Kong and over 90% of them are direct labour. Total staff costs (including Directors' remuneration) for the year ended 31 March 2023 amounted to approximately HK\$99.9 million (2022: approximately HK\$99.6 million), representing an increase of approximately 0.27% over that for the previous year. The increase was mainly due to increase of works from provision of civil engineering business for the year.

Significant Investment Held

Except for investment in subsidiaries, during the year ended 31 March 2023 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 2023, 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 2023, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

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 2023.

EVENTS AFTER THE REPORTING PERIOD

On 5 September, 2023, Mr. Kan, China Xinhua NNC, the substantial shareholder of the Company and holder of the Convertible Notes and the Company entered into a conditional agreement, among other things:

1. the proposed allotment and issuance of a total of 1,666,666,667 subscription shares at the share subscription price of HK\$0.012 per subscription share to Mr. Kan, shareholder of the Company for a total consideration of approximately HK\$20,000,000;
2. the proposed amendments of certain terms of the Convertible Notes with China Xinhua NNC, the substantial shareholder of the Company and holder of the Convertible Notes and proposed issuance of new convertible notes with the principal amount of approximately HK\$64,128,000 to China Xinhua NNC, the substantial shareholder of the Company and holder of the Convertible Notes to set off the Convertible Notes Interest; and

3. the proposed issuance of new convertible bonds in the principal amount of HK\$16,240,000 to China Xinhua NNC, the substantial shareholder of the Company and holder of the Convertible Notes to set off part of the outstanding balance of the On Demand Debt.

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 2023, except paragraphs C.1.8, C.1.6, C.2.7 and C.5.1 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 2023.

Non-compliance with Rules 5.05(1), 5.05(2), 5.36A and 5.28 of the GEM Listing Rules

Reference is made to the announcements of the Company dated 11 August 2020 and 14 October 2022 in relation to its non-compliance with Rules 5.05(1), 5.05(2), 5.05A, 5.36A and 5.28 of the GEM Listing Rules. Following the retirement and resignation of certain former Directors on 11 August 2020 and 14 October 2022, the Company has failed to meet the following requirements:

1. there will be two independent non-executive directors on the Board which falls below the minimum number as required under Rule 5.05(1) of the GEM Listing Rules;
2. there will be no independent non-executive directors have appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.05(2) and Rule 5.28 of the GEM Listing Rules and terms of reference of the Audit Committee;
3. there will be two independent non-executive directors representing less than one-third of the Board as required under Rule 5.05A of the GEM Listing Rules; and
4. there will be two independent non-executive directors on the Nomination Committee which does not fulfil the requirement of establishing a nomination committee comprising a majority of independent non-executive directors as required under Rule 5.36A of the GEM Listing Rules.

The Company is in the process of identifying suitable candidate to fill the vacancy. The Company will continue to use its best endeavours to ensure that suitable candidate is appointed as soon as practicable. Further announcement(s) will be made by the Company as and when appropriate in this regard.

Pursuant to code provision C.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 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 C.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 2023, 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.

The Code provision C.5.1 stipulates that the board of directors should meet regularly and board meeting should be held at least four times a year at approximately quarterly intervals. During the year, due to the delay in publication of financial results and suspension of trading in share of the Company, the Board has not held four board meetings. During the year, the Directors were provided with relevant information of the Company regarding the operation and financial performance of the Group. The Board has also made resolutions by circulation of written resolutions for all the Directors' execution from time to time. Together with the circulation of written materials to keep the Board informed throughout the year, sufficient measures had been taken to ensure that there was efficient communication among the Directors. The Board will endeavour to comply with the Code provision C.5.1 going forward.

Paragraph C.1.6 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. During the year, due to the delay in publication of financial results and suspension of trading in share of the Company, the Company failed to hold the annual general meeting within the time prescribed by the Rule 18.03 of GEM Listing Rules and the Company's Bye-laws. The Board is of the view that the aforesaid delays are one-off incidents and that the aforesaid matters had been/will be rectified eventually and the Company will endeavour to comply with the Code provision C.1.6 going forward.

AUDIT COMMITTEE

The Company has established an audit committee (the “Audit Committee”) on 11 August 2010 with terms of reference in compliance with paragraph D.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. Wu Guo Ming

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

Mr. Wong Chun Yip, Kenneth (*resigned on 14 October 2022*)

Non-executive Directors

Ms. Tang Li

Mr. Law Cheuk Hung

Following the resignation of a former Director on 14 October 2022, the Company has failed to meet the requirement that (1) there will be no independent non-executive directors have appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.05(2) and Rule 5.28 of the GEM Listing Rules and terms of reference of the Audit Committee and (2) there will be a vacancy for chairman of the Audit Committee as required under the terms of reference of the Audit Committee.

EXTRACTS FROM INDEPENDENT AUDITOR’S 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 2023:

DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Material uncertainties relating to the going concern basis

As stated in Note 3(c) to the consolidated financial statements, the Group incurred a net loss of approximately HK\$9,457,000 during the year ended 31 March 2023 and as of that date, the Group's net current liabilities and net liabilities amounted to approximately HK\$370,510,000 and HK\$394,806,000 respectively. In addition, included in the Group's liabilities as at 31 March 2023 were: (i) convertible notes of principal amount of HK\$257,030,000 (the "Convertible Notes") and interests thereon of approximately HK\$74,226,000 (the "Convertible Notes Interest") in respect of which the Group was in default in settlement; (ii) amount due to a substantial shareholder of HK\$24,587,000 (the "On Demand Debt") which was repayable on demand; and (iii) promissory notes of approximately HK\$40,429,000 and interest thereon of approximately HK\$6,777,000 which are due for repayment in the next twelve months after the date of this report (the "Promissory Notes"). These events and conditions, along with other matters as set forth in Note 3(c), indicate that material uncertainties existed as at 31 March 2023 that cast significant doubts on the Group's ability to continue as a going concern.

The Directors have assessed the Group's ability to continue as a going concern and are undertaking measures to improve the Group's liquidity and financial position and enable the Group to meet its liabilities as and when they fall due. These plans for future actions in relation to the going concern assessment, which are set out in Note 3(c) to the consolidated financial statements, include: (i) management is endeavoring to improve the Group's operating results and cash flows through cost control measures and will focus on the existing business of the Group; (ii) the Company has entered into conditional agreement with Mr. Kan, a shareholder of the Company, for the allotment and issuance of a total of 1,666,666,667 subscription shares at the share subscription price of HK\$0.012 per subscription share for a total consideration of approximately HK\$20,000,000; (iii) the Company has entered into conditional agreement with the holder of the Convertible Notes, which is also a substantial shareholder of the Company, for the amendments of certain terms of the Convertible Notes in relation to, among others, the amendment of interest rate from 3% to 0.8% per annum and the extension of the maturity date of the Convertible Notes to 9 December 2025; (iv) the Company has entered into a conditional agreement to issue new convertible notes in the principal amount of approximately HK\$64,128,000 to set off the Convertible Notes Interest; (v) the Company has entered into a conditional agreement to issue new convertible notes in the principal amount of HK\$16,240,000 to set off part of the outstanding balance of the On Demand Debt; (vi) the Company is negotiating with its promissory notes holder to extend the repayment dates of principal and the interest amounts accrued on the Promissory Notes and (vii) Mr. Kan has confirmed to provide financial support to the Group in a reasonable manner under relevant laws and regulatory requirements and also granted a loan facility of up to HK\$60,000,000 to the Group to maintain the going concern of the Company.

The validity of the preparation of the consolidated financial statements on going concern basis depends on the successful eventual outcome of the above mentioned plans and measures, which are inherently uncertain and as at the date of this report cannot be ascertained with reasonable certainty and are still subject to multiple uncertainties.

Should the Group fail to achieve successful outcomes from the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying amounts of the Group's assets to their net recoverable amounts, to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

We have not been provided with sufficient appropriate audit evidence to conclude on the appropriateness of management's use of the going concern basis of accounting in the preparation of the consolidated financial statements because of the lack of detailed analyses provided by management in relation to its plans and measures for future actions in its going concern assessment which take into account the uncertainty of outcome of these plans and measures and how variability in outcome would affect the future cash flows of the Group. Any adjustments found to be required may have consequential significant effects on the consolidated net liabilities of the Group as at 31 March 2023 and the consolidated loss and other comprehensive income or expense and cash flows of the Group for the year ended 31 March 2023, and the related elements and disclosures thereof presented or disclosed in the consolidated financial statements.

The Board's response to the Auditor's Opinion

The management of the Company is of the view that Group will be able to continue to operate as a going concern. The consolidated financial statements had been prepared on a going concern basis, the validity of which depends on the outcome of those plans and measures as mentioned in Note 3(c) to the consolidated financial statements.

After discussion with the auditors, the management of the Company expects that, on the assumptions that (i) the plans and measures as mentioned in Note 3(c) to the consolidated financial statements have been successfully implemented, (ii) each of the Company's operating subsidiaries has continued to operate as normal, (iii) neither the Company nor any of its operating subsidiaries is the subject of any winding-up proceedings, and (iv) there are no other material threats to its status as a going concern, the Directors considered that the Group will have sufficient liquidity to finance its operations for the foreseeable future and therefore of a view that the Group would be able to continue as a going concern.

In this regard, although the implementation of the plans and measures as mentioned in Note 3(c) to the consolidated financial statements are subject to conclusion and finalisation of definitive formal agreement such that the auditors were not able to obtain sufficient audit evidence, the above-mentioned plans have been initially formulated and is in an advanced stage and thus the management of the Company is optimistic about the outcome of plans and measures thereof.

Audit Committee's view on whether the Company's plan could address the underlying matters leading to the Disclaimer of Opinion

The auditors have informed the Audit Committee about their view regarding the basis of operating as a going concern, that due to the absence of sufficient appropriate audit evidence, the auditors were unable to express their audit opinion whether the Group can continue to operate as a going concern. As abovementioned, the Disclaimer of Opinion was mainly due to the auditor's concern as to whether the Company will be able to successfully implement the plans and measures mentioned in Note 3(c) to the consolidated financial statements.

The Audit Committee had critically reviewed the Disclaimer of Opinion, the management's position concerning the Disclaimer of Opinion and measures taken by the Group for addressing the Disclaimer of Opinion. After discussion with the Directors, the Audit Committee concurred with the going concern basis and assumptions adopted in preparing the consolidated financial statements based on the reasons above. Accordingly, the Audit Committee agreed that it was appropriate to use a going concern assumption to prepare the consolidated financial statements. Moreover, the Audit Committee requested the management to take all necessary actions to address the uncertainties regarding going concern underlying the Disclaimer of Opinion that no such Disclaimer of Opinion will be made in the forthcoming audited financial statements. The Audit Committee had also discussed with the Auditor regarding the financial position of the Group, measures taken and to be taken by the Group, and considered the Auditor's rationale and understood their consideration in arriving their opinion.

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.

SCOPE OF WORK OF AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 March 2023 as set out in the preliminary announcement have been agreed by the Group's auditors, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by HLB Hodgson Impey Cheng Limited on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cnctv.hk). The annual report of the Company for the year ended 31 March 2023 containing all the information required by the GEM Listing Rules will be despatched to the Company's shareholders and available on the above websites before 30 November 2023.

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

Hong Kong, 16 November 2023

As at the date of this announcement, the Directors are Dr. Jiang Yan¹ (Chairman), Dr. Li Yong Sheng¹ (Vice Chairman and Chief Executive Officer), Mr. Liu Da Yong¹, Mr. Kan Kwok Cheung¹, Ms. Tang Li², Mr. Law Cheuk Hung², Mr. Wu Guo Ming³ and Mr. Wan Chi Keung, Aaron, BBS, JP³.

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>.