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 2017

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

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

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

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	**2017**	2016
		HK$'000	*HK$'000*
Revenue	22.5%	**454,447**	370,939
Gross (loss)/profit	N/A	**(19,110)**	68,651
Loss before income tax	122.8%	**(109,637)**	(49,218)
Loss attributable to owners of the Company	125.1%	**(104,527)**	(46,443)
Basic loss per Share *(HK cents)*	118.6%	**(2.58)**	(1.18)
Dividend per Share *(HK cents)*	N/A	**N/A**	N/A

Consolidated Financial Position

As at 31 March

	Changes	**2017**	2016
		HK$'000	*HK$'000*
Total assets	-19.8%	**335,733**	418,840
Cash and cash equivalents	-39.3%	**77,324**	127,377
Total liabilities	5.6%	**437,468**	414,209
Equity attributable to the owners of the Company	N/A	**(101,735)**	4,631

Ratios

As at 31 March

	2017	2016
Return on equity *(Note a)*	**N/A**	-1,002.9%
Return on assets *(Note b)*	**-31.1%**	-11.1%
Current ratio *(Note c)*	**0.50 time**	2.13 times
Gearing ratio *(Note d)*	**85.5%**	62.5%

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, finance lease payables and advance received from customers divided by total assets.

DEFINITIONS

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

"Board"	the board of Directors
"BVI"	the British Virgin Islands
"China Xinhua NNC"	China Xinhua News Network Co., Limited (中國新華新聞電視網有限公司), a company incorporated in Hong Kong and a wholly-owned subsidiary of Xinhua News Agency (新華社) and a Shareholder of the Company
"CNC China"	中國新華新聞電視網有限公司, a company incorporated in the PRC, which owns 100% of the equity interests in China Xinhua NNC, a wholly-owned subsidiary of Xinhua News Agency and a substantial Shareholder of the Company
"Company"	CNC Holdings Limited (中國新華電視控股有限公司), a company incorporated in the Cayman Islands with limited liability on 15 March 2010
"Director(s)"	director(s) of the Company
"Financial Statements"	the audited financial statements of the Group for the year ended 31 March 2017
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Government"	the Government of Hong Kong
"Group"	the Company and its subsidiaries
"HK$" and "HK cent(s)"	Hong Kong dollar(s) and cent(s), respectively, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Macau"	the Macau Special Administrative Region of the PRC
"PRC"	the People's Republic of China, excluding Hong Kong, Macau and Taiwan
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended or otherwise modified from time to time
"Share(s)"	ordinary share(s) of the Company
"Share Option Scheme"	the share option scheme of the Company adopted on 11 August 2010
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"WSD"	Water Supplies Department (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 2017 together with the comparative figures for 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	**2017** ***HK$'000***	2016 *HK$'000*
Revenue	*4*	**454,447**	370,939
Cost of services		**(473,557)**	(302,288)
Gross (loss)/profit		**(19,110)**	68,651
Other income	*5*	**1,035**	906
Other gains and losses	*6*	**3,259**	1,950
Amortisation expenses		**(20,178)**	(23,598)
Selling and distribution expenses		**(377)**	(97)
Administrative expenses		**(33,130)**	(34,992)
Change in fair value of financial assets at fair value through profit or loss		**(3,452)**	(5,773)
(Loss)/profit from operations	*8*	**(71,953)**	7,047
Finance costs	*9*	**(37,262)**	(34,276)
Impairment loss on intangible assets		**–**	(19,751)
Impairment loss on trade receivables		**(422)**	(2,238)
Loss before income tax		**(109,637)**	(49,218)
Income tax	*10*	**5,110**	2,775
Loss for the year		**(104,527)**	(46,443)
Other comprehensive loss			
Items that may be classified subsequently to profit or loss			
Exchange differences on translating foreign operations		**(1,839)**	(1,388)
Other comprehensive loss for the year, net of income tax		**(1,839)**	(1,388)
Total comprehensive loss for the year		**(106,366)**	(47,831)
Loss for the year attributable to the owners of the Company		**(104,527)**	(46,443)
Total comprehensive loss for the year attributable to the owners of the Company		**(106,366)**	(47,831)
Loss per share attributable to the owners of the Company			
– Basic and diluted *(HK cents)*	*12*	**(2.58)**	(1.18)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017

	Notes	As at 31 March **2017** *HK$'000*	2016 *HK$'000*
Non-current assets			
Property, plant and equipment		**45,748**	40,662
Intangible assets		**80,994**	99,310
		126,742	139,972
Current assets			
Film rights		**–**	–
Inventories		**3,654**	27,134
Trade and other receivables	*13*	**119,737**	116,890
Tax recoverable		**407**	1,123
Financial assets at fair value through profit or loss		**7,869**	6,344
Cash and cash equivalents		**77,324**	127,377
		208,991	278,868
Total assets		**335,733**	418,840
Current liabilities			
Trade and other payables	*14*	**110,500**	106,951
Finance lease payables		**3,460**	5,249
Employee benefits		**3,486**	3,354
Promissory note		**44,124**	–
Convertible notes		**237,652**	–
Current tax liabilities		**15,915**	15,278
		415,137	130,832
Net current (liabilities)/assets		**(206,146)**	148,036
Total assets less current liabilities		**(79,404)**	288,008
Non-current liabilities			
Finance lease payables		**1,815**	4,197
Promissory note		**–**	40,995
Convertible notes		**–**	211,482
Deferred tax liabilities		**20,516**	26,703
		22,331	283,377
Total liabilities		**437,468**	414,209
Net (liabilities)/assets		**(101,735)**	4,631
Capital and reserves			
Share capital		**4,055**	4,055
Reserves		**(105,790)**	576
Total equity		**(101,735)**	4,631

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2017

	Share capital *HK$'000*	Share premium *HK$'000*	Capital reserves *HK$'000*	Convertible notes equity reserves *HK$'000*	Foreign currency translation reserves *HK$'000*	Other reserves *HK$'000*	Accumulated losses *HK$'000*	Total equity *HK$'000*
At 1 April 2015	3,693	1,155,013	–	67,505	153	9,868	(1,265,198)	(28,966)
Loss for the year	–	–	–	–	–	–	(46,443)	(46,443)
Other comprehensive loss for the year:								
Items that may be classified subsequently to profit or loss:								
Exchange differences on translating foreign operations	–	–	–	–	(1,388)	–	–	(1,388)
Total comprehensive loss for the year	–	–	–	–	(1,388)	–	(46,443)	(47,831)
Issue of Shares pursuant to placing	260	64,740	–	–	–	–	–	65,000
Transaction costs attributable to issue of Shares pursuant to placing	–	(1,655)	–	–	–	–	–	(1,655)
Issue of Shares pursuant to conversion of convertible notes	102	20,097	–	(4,874)	–	–	–	15,325
Capital contribution from a Shareholder	–	–	2,758	–	–	–	–	2,758
At 31 March 2016 and 1 April 2016	4,055	1,238,195	2,758	62,631	(1,235)	9,868	(1,311,641)	4,631
Loss for the year	–	–	–	–	–	–	(104,527)	(104,527)
Other comprehensive loss for the year:								
Items that may be classified subsequently to profit or loss:								
Exchange differences on translating foreign operations	–	–	–	–	(1,839)	–	–	(1,839)
Total comprehensive loss for the year	–	–	–	–	(1,839)	–	(104,527)	(106,366)
At 31 March 2017	**4,055**	**1,238,195**	**2,758**	**62,631**	**(3,074)**	**9,868**	**(1,416,168)**	**(101,735)**

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.

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

The principal activity of the Company is investment holding and provision of management services. The principal activities of its subsidiaries are provision of civil engineering services for the public sector in Hong Kong and television broadcasting business in the Asia-Pacific region (excluding the PRC) in return for advertising and related revenue.

At 31 March 2017, the major Shareholder of the Company is China Xinhua NNC, a company incorporated in Hong Kong.

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

In the current year, the Group has applied, for the first time, a number of all the new and revised standards, amendments and interpretations (the "new and amendments to HKFRSs") issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for annual periods on or after 1 April 2016:

HKFRS 14	Regulatory Deferral Accounts
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle

The application of the above new and amendments to HKFRSs had no material effect on the results and financial positions of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]
Amendments to HKFRS 15	Clarification of HKFRS 15 Revenue from Contracts with Customers[2]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrecognised Losses[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2017, with early application permitted.

2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

3 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

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

5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Directors anticipate that the application of HKFRS 9 in the future may have an impact on the amounts reported and disclosures made in the consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition.

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported as the timing of revenue recognition may be affected/and the amounts of revenue recognised are subject to variable consideration constraints, and more disclosures relating to revenue is required. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Directors perform a detailed review. In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all lessee by lessees, except for short-term leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents other operating lease payments as operating cash flows. Under HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and financing cash flows respectively.

In contrast to lessee accounting, HKFRS 16 substantially carried forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

The Directors do not anticipate that the applications of these will have a material effect on the Group's consolidated financial statements.

The Group is in the process of assessing the potential impact of the other new and revised HKFRSs upon initial application but is not yet in a position to state whether the above new and revised HKFRSs will have a significant impact on the Group's results of operations and financial position.

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 ("Ints") issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited and by the disclosures requirements of the Hong Kong Companies Ordinance ("CO").

(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 assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based payment, leasing transactions that are within the scope of HKAS 17 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 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

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$104,527,000 and a net cash outflow from operating activities of approximately HK$21,939,000 during the year ended 31 March 2017 and, as of that date, the Group had net current liabilities of approximately HK$206,146,000 and net liabilities of approximately HK$101,735,000 respectively; and

- The Group had promissory note of approximately HK$44,124,000 and convertible notes of approximately HK$237,652,000 which are due within the next twelve months after 31 March 2017.

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

(1) Financial support

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

(2) 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 and placing of new shares.

(3) The Group will implement operation plans to control costs and generate adequate cash flow from the Group's operations.

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

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

(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 2017 and 31 March 2016 were as follows:

	2017	2016
	HK$'000	*HK$'000*
Construction works	**444,304**	360,998
Advertising income*	**10,143**	9,941
	454,447	370,939

* Publication income of approximately HK$169,000 (2016: nil) was included in advertising income during the year ended 31 March 2017.

5. OTHER INCOME

Other income recognised during the years ended 31 March 2017 and 31 March 2016 were as follows:

	2017	2016
	HK$'000	*HK$'000*
Interest income	**359**	315
Dividend income	**162**	142
Waiver of the interests on convertible notes	**–**	400
Written-back of retention payables	**508**	–
Sundry income	**6**	49
	1,035	906

6. OTHER GAINS AND LOSSES

Other gains and losses recognised during the years ended 31 March 2017 and 31 March 2016 were as follows:

	2017	2016
	HK$'000	*HK$'000*
Exchange gain, net	**1,580**	1,157
Net gains on disposal of property, plant and equipment	**1,679**	793
	3,259	1,950

7. SEGMENT INFORMATION

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

Under the segment structure implemented during the year ended 31 March 2017, information reported to the executive Directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided are:

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

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

Segment revenue and results

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

For the year ended 31 March 2017

	Provision of civil engineering services *HK$'000*	Television broadcasting business *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue from external customers	444,304	10,111	32	454,447
Other income and gains	1,716	224	–	1,940
Reportable segment revenue	446,020	10,335	32	456,387
Reportable segment results	(30,126)	(22,433)		(52,559)
Unallocated corporate income				2,616
Unallocated corporate expenses				(22,432)
Finance costs				(37,262)
Loss before income tax				(109,637)

For the year ended 31 March 2016

	Provision of civil engineering services *HK$'000*	Television broadcasting business *HK$'000*	Others *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Revenue from external customers	360,998	8,589	1,352	–	370,939
Inter-segment sales	–	2,586	–	(2,586)	–
Other income and gains	1,295	3	–	–	1,298
Reportable segment revenue	362,293	11,178	1,352	(2,586)	372,237
Reportable segment results	57,801	(46,181)			11,620
Unallocated corporate income					3,585
Unallocated corporate expenses					(30,147)
Finance costs					(34,276)
Loss before income tax					(49,218)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the year ended 31 March 2017.

Segment loss/profit represents the loss incurred/profit earned by each segment without allocation of central administration costs, interest income, dividend income, finance costs, changes in fair value of financial assets at fair value through profit or loss, waiver of interests on convertible notes and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

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

As at 31 March 2017

	Provision of civil engineering services *HK$'000*	Television broadcasting business *HK$'000*	Total *HK$'000*
Segment assets	**157,476**	**83,609**	**241,085**
Unallocated			**94,648**
Consolidated assets			**335,733**
Segment liabilities	**71,582**	**13,402**	**84,984**
Unallocated			**352,484**
Consolidated liabilities			**437,468**

As at 31 March 2016

	Provision of civil engineering services *HK$'000*	Television broadcasting business *HK$'000*	Total *HK$'000*
Segment assets	168,671	101,774	270,445
Unallocated			148,395
Consolidated assets			418,840
Segment liabilities	66,139	20,452	86,591
Unallocated			327,618
Consolidated liabilities			414,209

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

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

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

Other segment information

For the year ended 31 March 2017

	Provision of civil engineering services *HK$'000*	**Television broadcasting business** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*
Additions to non-current assets	**23,038**	**1,134**	**878**	**25,050**
Depreciation of property, plant and equipment	**15,191**	**188**	**3,296**	**18,675**
Amortisation of film rights	**–**	**1,862**	**–**	**1,862**
Amortisation of intangible assets	**–**	**18,316**	**–**	**18,316**
Impairment loss on trade receivables	**–**	**393**	**29**	**422**
Net gains on disposal of property, plant and equipment	**1,153**	**–**	**526**	**1,679**

For the year ended 31 March 2016

	Provision of civil engineering services *HK$'000*	Television broadcasting business *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Additions to non-current assets	16,360	–	3,144	19,504
Depreciation of property, plant and equipment	12,997	–	4,749	17,746
Amortisation of film rights	–	1,578	–	1,578
Amortisation of intangible assets	–	22,020	–	22,020
Impairment loss on intangible assets	–	19,751	–	19,751
Impairment loss on trade receivables	–	2,238	–	2,238
Net gains/(losses) on disposal of property, plant and equipment	1,243	–	(450)	793

Revenue from major products and services

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

	2017	2016
	HK$'000	*HK$'000*
Construction works	**444,304**	360,998
Advertising income	**10,143**	9,941
	454,447	370,939

Geographical information

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

	2017	2016
	HK$'000	*HK$'000*
Hong Kong	**445,755**	361,198
PRC	**8,440**	7,939
Overseas	**252**	1,802
	454,447	370,939

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

	2017	2016
	HK$'000	*HK$'000*
Hong Kong	**121,047**	130,569
PRC	**5,695**	9,403
	126,742	139,972

Information about major customers

Included in revenue arising from provision of civil engineering services of approximately HK$444,304,000 (2016: approximately HK$360,998,000) are revenue generated from three (2016: three) customers amounting to approximately HK$393,235,000 (2016: approximately HK$331,413,000) has individually accounted for over 10% of the Group's total revenue. No other single customers contributed 10% or more to the Group's revenue for the years ended 31 March 2017 and 31 March 2016.

Revenue from major customers is as follows:

	2017	2016
	HK$'000	*HK$'000*
Customer A *(Note (i))*	**–**	50,581
Customer B *(Note (ii))*	**100,631**	–
Customer C	**209,857**	210,368
Customer D	**82,747**	70,464
Others	**61,212**	39,526
	454,447	370,939

Notes:

(i) No information was disclosed as the corresponding revenue did not contribute over 10% of the Group's revenue for the year ended 31 March 2017.

(ii) No information was disclosed as the corresponding revenue did not contribute over 10% of the Group's revenue for the year ended 31 March 2016.

8. (LOSS)/PROFIT FROM OPERATIONS

(Loss)/profit from operations has been arrived at after charging:

	2017	2016
	HK$'000	*HK$'000*
Contract costs recognised as expenses	**460,940**	290,249
Amortisation of film rights (included in amortisation expenses)	**1,862**	1,578
Amortisation of intangible assets (included in amortisation expenses)	**18,316**	22,020
Television broadcasting right fee and television satellite fees (included in cost of services)	**9,083**	8,898
Other direct costs attributable to television broadcasting business (included in cost of services)	**1,584**	–
Other direct operating costs (included in cost of services)	**1,950**	3,141
Auditor's remuneration		
– Audit services	**680**	680
– Non-audit services	**810**	–
Depreciation of property, plant and equipment*	**18,675**	17,746
Staff costs	**98,391**	86,603
Operating lease rentals in respect of rented premises	**15,266**	18,048

* Depreciation of property, plant and equipment of approximately HK$14,577,000 (2016: approximately HK$12,494,000) and approximately HK$1,950,000 (2016: approximately HK$2,391,000) have been separately expensed in contract costs recognised as expenses and other direct operating costs respectively.

9. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on:		
Finance leases payables	**261**	355
Bank overdraft wholly repayable within five years	**–**	98
Promissory note	**3,129**	2,915
Convertible notes	**33,872**	30,908
	37,262	34,276

10. INCOME TAX

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

	2017	2016
	HK$'000	*HK$'000*
Current tax – Hong Kong profits tax		
– tax for the year	**427**	8,554
– over-provision in respect of prior years	**–**	(36)
	427	8,518
Current tax – Macau Complementary tax		
– over-provision in respect of prior years	**–**	(34)
Current tax – PRC Enterprise Income tax		
– tax for the year	**650**	–
	1,077	8,484
Deferred tax		
– current year	**(6,187)**	(11,259)
Income tax credit	**(5,110)**	(2,775)

Hong Kong profits tax is calculated at 16.5% (2016: 16.5%) on the estimated assessable profits for the years ended 31 March 2017 and 31 March 2016.

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

No provision for Macau Complementary tax has been made as the subsidiary incorporated in Macau has no assessable profit arising in Macau during the years ended 31 March 2017 and 31 March 2016.

The provision for PRC Enterprise Income tax is calculated on the estimated assessable profits of the subsidiary incorporated in the PRC at 15% for the year ended 31 March 2017. No provision for PRC Enterprise Income tax had been made as the subsidiary incorporated in the PRC has no assessable profits arising in the PRC during the year ended 31 March 2016.

11. DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31 March 2017 (2016: Nil).

12. LOSS PER SHARE

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

	2017	2016
	HK$'000	*HK$'000*
Loss for the year attributable to the owners of the Company for the purpose of basic and diluted loss per share	**(104,527)**	(46,443)
	Number of shares	
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**4,055,350**	3,926,963

Diluted loss per Share for the years ended 31 March 2017 and 31 March 2016 are the same as the basic loss per Share. The computation of diluted loss per Share for the years ended 31 March 2017 and 31 March 2016 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

	2017	2016
	HK$'000	*HK$'000*
Trade receivables *(note (i), (iii))*	**59,018**	62,230
Allowance for doubtful debts	**(2,660)**	(2,238)
	56,358	59,992
Retention receivables *(note (ii), (iii))*	**13,064**	12,356
Other receivables and prepayments *(note (iv))*	**46,443**	39,858
Deposits	**3,872**	4,684
	119,737	116,890

Notes:

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

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

	2017	2016
	HK$'000	*HK$'000*
Current or less than 1 month	**56,305**	59,330
1 to 3 months	**4**	23
More than 3 months but less than 12 months	**18**	639
More than 12 months	**31**	–
	56,358	59,992

The Group grants an average credit period of 30 days (2016: 30 days) to its trade customers of contract works. Application for progress payments of contract works is made on a regular basis.

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

Ageing of receivables that are past due but not impaired

	2017	2016
	HK$'000	*HK$'000*
Overdue by:		
31-60 days	**4**	23
90-120 days	**2**	639
More than 3 months but less than 12 months	**16**	–
More than 12 months	**31**	–
	53	662

Movements in the allowance for doubtful debts

	2017	2016
	HK$'000	*HK$'000*
Balance at the beginning of the year	**2,238**	–
Impairment loss recognised on trade receivables	**422**	2,238
Balance at the end of the year	**2,660**	2,238

Impairment loss of approximately HK$422,000 (31 March 2016: approximately HK$2,238,000) was recognised in the consolidated statement of profit or loss and other comprehensive income during the year ended 31 March 2017 as the Directors consider that the outstanding amount were not recoverable.

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

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

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

14. TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables	**39,128**	33,540
Retention money payables	**19,085**	17,197
Amount due to a Shareholder *(note (i))*	**11,337**	9,837
Deferred revenue	**–**	8,409
Interest payables	**27,945**	20,243
Amount due to a related party *(note (ii))*	**2,009**	2,009
Other payables and accruals	**10,996**	15,716
	110,500	106,951

Notes:

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

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

The Group normally settles trade payables within 30 days (2016: 30 days) credit term. Based on the invoice date, ageing analysis of trade payables at the end of the reporting period is as follows:

	2017	2016
	HK$'000	*HK$'000*
Current or less than 1 month	**37,689**	33,212
1 to 3 months	**305**	102
More than 3 months but less than 12 months	**1,134**	2
More than 12 months	**–**	224
	39,128	33,540

15. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Financial Statements, during the years ended 31 March 2017 and 31 March 2016, 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	2017 HK$'000	2016 HK$'000
A company that Mr. Chia Kar Hin, Eric John ("Mr. Chia"), a non-executive Director, had material interest	Service fee for announcement posting agreement	**9**	9
A company that the spouse of Mr. Chia had material interest	Legal and professional fee paid	**62**	31
China Xinhua NNC	Annual fee for television broadcasting right *(note (i))*	**1,500**	1,000
	Accrued interests on convertible notes *(note (ii))*	**7,702**	7,427
CNC China	Advertising income *(note (iii))*	**–**	3,180

Notes:

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

(ii) During the year ended 31 March 2017, the convertible notes interests payable to China Xinhua NNC were amount to approximately HK$7,702,000 (2016: approximately HK$7,427,000).

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

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

As at 31 March 2017 and 31 March 2016, the banking facilities of the Group were secured by corporate guarantee executed by Shunleetat (BVI) Limited, which is wholly and beneficially owned by Mr. Kan, the charges over the properties held by Mr. Kan and personal guarantee provided by Mr. Kan.

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

(b) Compensation of key management personnel of the Group

The key management personnel of the Group are the Directors.

16. COMPARATIVE FINANCIAL INFORMATION

Certain comparative figures have been reclassified to conform with 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 2017:

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 2017, 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 RELATED TO GOING CONCERN

We draw attention to Note 3(c) in the consolidated financial statements, which indicates that the Group incurred a net loss of approximately HK$104,527,000 and a net cash outflow from operating activities of approximately HK$21,939,000 during the year ended 31 March 2017 and, as of that date, the Group had net current liabilities of approximately HK$206,146,000 and net liabilities of approximately HK$101,735,000. As stated in Note 3(c), these events or conditions, along with other matters as set forth in Note 3(c), indicate that a material uncertainty exists that may cast significant doubt on the Group'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 television broadcasting business in the Asia-Pacific region (excluding the PRC) in return for advertising and related revenue. During the year ended 31 March 2017, the Group continued to focus on rendering civil engineering services to the public sector in Hong Kong and further develop its television broadcasting business in the Asia-Pacific region (excluding the PRC).

Provision of civil engineering services

During the year ended 31 March 2017, the Group has been undertaking three main contracts and eight subcontracts. Among the eleven contracts, four are related to provision of waterworks engineering services and the remaining contracts are related to provision of drainage 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			
8/WSD/11	Construction of Pak Shek Kok Fresh Water Service Reservoir Extension	WSD	Dec 2011 – May 2014
3/WSD/13	Mainlying near She Shan Tsuen, Tai Po	WSD	Sept 2013 – Jul 2016
DC/2013/09	Advance Works for Shek Wu Hui Sewage Treatment Works – Further Expansion Phase 1A and Sewerage Works at Ping Che Road	Drainage Services Department of the Government	July 2015 – Aug 2017
Subcontracts			
8/WSD/10	Replacement and rehabilitation of water mains, stage 4 phase 1 – mains in Tuen Mun, Yuen Long, North District and Tai Po	Hsin Chong Construction Company Limited	Apr 2011 – Dec 2015
DC/2012/04	Sewerage in Kau Lung Hang San Wai, Kau Lung Hang Lo Wai and Tai Hang	Hsin Chong Tsun Yip Joint Venture	Jun 2012 – Dec 2017
DC/2012/07	Lam Tsuen Valley Sewerage – village sewerage, stage 2, phase 1	Hsin Chong Tsun Yip Joint Venture	Oct 2012 – Jul 2016
DC/2012/08	Lam Tsuen Valley Sewerage – village sewerage, stage 2, phase 2	Hsin Chong Tsun Yip Joint Venture	Oct 2012 – Aug 2016
5/WSD/13	Replacement and rehabilitation of water mains, stage 4 phase 1 and stage 4 phase 2 – mains in northern and eastern New Territories	Hsin Chong Tsun Yip Joint Venture	Nov 2013 – May 2016
CV/2016/03	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
810B	West Kowloon Terminus Station South, Contract 810B	Laing O'Rourke – Hsin Chong – Paul Y Joint Venture	Jun 2015 – Oct 2015
Q044763	Elevated Road along Lohas Park Road and the pedestrian footbridge FB1	Hsin Chong Construction Company Limited	Sept 2016 – Nov 2018

Total contract value HK$2,147.9 million

Total amount of works certified *(Note)* HK$1,709.1 million

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

Among the above eleven contracts, a subcontract (contract numbered Q044763) was newly awarded during the year ended 31 March 2017.

During the year ended 31 March 2017, the two contracts with contracts numbered CV/2015/03 and 5/WSD/13 were the main contributors to the Group's revenue, which generated approximately HK$227.0 million and HK$56.9 million, constituting approximately 49.9% and 12.5% of the Group's total revenue respectively.

Television broadcasting business

Except for the broadcasting of television programmes in China Xinhua News Network Channel and China Xinhua News Network World Channel (collectively the "CNC Channels") in different locations in the Asia-Pacific region (excluding the PRC), the Group aims to expand the Group's market presence into the PRC. During the year, the Group entered into a strategic cooperation agreement with Guangxi Television*（廣西電視台）so as to jointly boost up a comprehensive business development of television broadcasting business, including broadening broadcasting coverage of the Group's television features in the PRC market through channel of Guangxi Television and enrichment of contents of the CNC Channels. Also, the Group entered into a strategic cooperation agreement with Tian Mai Ju Yuan (Beijing) Technology Company Limited*（天脈聚源（北京）科技有限公司）("Tian Mai Ju Yuan") so as to jointly develop television e-commerce business. During the year, the Group, Tian Mai Ju Yuan and well-known wine merchants in France, Germany and New Zealand collaborated jointly to produce a television e-commerce programme named "World Well-known Wine Production Region"*（世界名酒產區）and originated the emerging mode of interaction and connection between television e-commerce business and platform. On 18 November 2016, "World Well-known Wine Production Region – New Zealand"*（世界名酒產區之紐西蘭篇）was first launched on Guangxi Television*（廣西電視台）. The Group will cooperate with wine merchants to broadcast the programme on other television stations nationwide afterwards. The Group will duplicate and expand this business model into the hotel, tourism, food and other fields and thus to further develop the television e-commerce business. In view of new development of this segment in the PRC, the Group has strengthened and rejuvenated the sales and distribution team internally so that the Group would hire more experienced and competent staff to take part in the growing business in the PRC.

While actively developing the new media component, with a refined distribution channels strategy, the Group continues to expand its television broadcasting presence, not only maintaining its traditional distribution channel, but also through organizing different presentation ceremonies and functions. In order to enhance the brand recognition and influence of the Group in the local television media industry, the Group held the 2016 "Bauhinia Award" Hospitable Hong Kong • Remarkable Business Contribution presentation ceremony in August 2016, which attracted great attention from various media and the society and thus enhanced the brand recognition of the Group in the television media industry. The Group will continue to organize different functions and ceremonies in order to enhance the influence of the Group.

In addition, the television broadcasting business of the Group will interact with publication in order to maximize the synergistic effect of different distribution channels. The Group published books titled "The Recent Years of the HKSAR Government"*（《香港特區政府這幾年》）and "The Battle of Stock Market in Hong Kong"*（《決戰港股》）which was produced by the Company after careful consideration of audience preferences. The Group believes that the recent development can respond to the changing business environment and meet the evolving interests of mass audience by these new platforms. Backup with the brand name of Xinhua News Agency, we believe that the Group can generate satisfactory return to the Company and its Shareholders as a whole in the long run. Together with our most important asset, our loyal and established team, the Group is well positioned to seize every opportunity in the years to come.

Large outdoor display screen advertisement business

During the year, the development pace of large outdoor display screen advertisement business is stagnant. Due to keen competitions, the contract prices of advertisement are tumbling down. As such, the operation of large outdoor display screen advertisement business has been disrupted by a sluggish advertising market. In face of the current difficult operating environment in the PRC, the Group has adjusted its overall resources allocation and marketing strategy to match with television broadcasting business. Therefore, this segment has combined into television broadcasting business for future development.

Going forward, the Group will continue to explore and evaluate new business and investment opportunities in different business sectors that could create synergies with the existing business of the Group and would be in the best interests of the Company and the Shareholders as a whole.

Financial Review

Revenue

For the year ended 31 March 2017, the Group reported a revenue of approximately HK$454.4 million (2016: approximately HK$370.9 million), representing a increase of approximately 22.5% as compared with that for the previous year. The revenue derived from provision of civil engineering services and television broadcasting business constituted approximately 97.8% and 2.2% of the Group's total revenue respectively. The increase in revenue was mainly due to increase in work from civil engineering projects with contract number CV/2015/03 and 5/WSD/13. For the year ended 31 March 2017, the Group derived advertising revenue of approximately HK$10.1 million (2016: approximately HK$9.9 million).

During the year ended 31 March 2017, the revenue of the Group was primarily generated from the undertaking of civil engineering contracts in the capacity of a subcontractor. The breakdown of total revenue by nature of capacity of the Group is set forth below:

	For the year ended 31 March			
	2017		2016	
	HK$'000	***% of total***	*HK$'000*	*% of total*
Main contractor	**64,121**	**14.4**	40,435	11.2
Subcontractor	**242,013**	**54.5**	235,340	65.2
Jointly controlled operations	**138,170**	**31.1**	85,223	23.6
Total	**444,304**	**100.0**	360,998	100.0

Cost of services

The Group's cost of services increased by approximately 56.7% to approximately HK$473.6 million (2016: approximately HK$302.3 million) for the year ended 31 March 2017 as compared with that for the previous year. The Group's cost of services mainly includes costs of construction services, costs of television broadcasting business and 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 television broadcasting business mainly comprise transmission costs, broadcasting fee and other direct costs attributable to television broadcasting business. Transmission costs comprise satellite transmission fee and carriage fee payable to satellite operators while broadcasting fee comprises annual fee payable to media broadcasting providers and China Xinhua NNC. Other direct operating costs mainly comprise depreciation charges of LED display screens. The following table sets out a breakdown of the Group's cost of services:

	For the year ended 31 March			
	2017		2016	
	HK$'000	***% of total***	*HK$'000*	*% of total*
Costs of construction services				
Raw materials	**100,742**	**21.3**	28,494	9.4
Direct labour	**83,068**	**17.5**	71,801	23.8
Subcontracting fee	**177,600**	**37.5**	124,964	41.3
Other direct costs	**99,530**	**21.0**	64,990	21.5
Subtotal	**460,940**	**97.3**	290,249	96.0

	For the year ended 31 March			
	2017		2016	
	HK$'000	***% of total***	*HK$'000*	*% of total*
Costs of television broadcasting business				
Transmission costs	**2,500**	**0.5**	2,500	0.8
Broadcasting fee	**6,583**	**1.4**	6,398	2.1
Other direct cost attributable to television broadcasting business	**1,584**	**0.4**	–	–
Subtotal	**10,667**	**2.3**	8,898	2.9
Other direct operating costs	**1,950**	**0.4**	3,141	1.1
Subtotal	**1,950**	**0.4**	3,141	1.1
Total	**473,557**	**100.0**	302,288	100.0

Gross (loss)/profit

The gross loss for the Group for the year ended 31 March 2017 was approximately HK$19.1 million (2016: gross profit of approximately HK$68.7 million). The gross loss margin of the Group was approximately 4.2% (2016: gross profit margin of approximately 18.5%) for the year ended 31 March 2017. The change from gross profit to gross loss was largely due to (i) revenue recognition which large portion of revenue and gross margin derived from certain civil engineering projects has been recognised at the early stage in the prior years; (ii) the adoption of more competitive pricing strategy for newly tendered contracts in order to increase the opportunity of successful tendering because of the increasing competition from other contractors seeking to tender projects at lower price; and (iii) an increase in the cost of construction.

Other income

The Group's other income for the year ended 31 March 2017 increased by approximately 14.2% to approximately HK$1.0 million (2016: approximately HK$0.9 million) as compared with that for the previous year. The increase in other income was mainly due to the written-back of certain retention payables of provision of civil engineering business for the year.

Other gains and losses

The Group's other gains and losses for the year ended 31 March 2017 increased by approximately 67.2% to approximately HK$3.3 million (2016: approximately HK$2.0 million) as compared with that for the previous year. Other gains and losses mainly consisted of net exchange gains and net gains on disposal of property, plant and equipment for the year.

Amortisation expenses

The Group's amortisation expenses for the year ended 31 March 2017 decreased by approximately 14.5% to approximately HK$20.2 million (2016: approximately HK$23.6 million) as compared with that for the previous year. The amortisation expenses mainly consisted of amortisation charges of television broadcasting right and film rights for the television broadcasting business.

Selling and distribution expenses

The Group's selling and distribution expenses for the year ended 31 March 2017 increased by approximately 2.9 times to approximately HK$0.4 million (2016: approximately HK$97,000) as compared with that for the previous year. The selling and distribution expenses mainly consisted of advertising expenses for the television broadcasting business.

Administrative expenses

The Group's administrative expenses for the year ended 31 March 2017 decreased by approximately 5.3% to approximately HK$33.1 million (2016: approximately HK$35.0 million) as compared with that for the previous year. The administrative expenses mainly consisted of auditors' remuneration, legal and professional fees, staff costs (including Directors' remuneration), depreciation expenses and rental expenses. The decrease in the administrative expenses was mainly attributable to the reduction of rental expenses of headquarter office.

Finance costs

The Group's finance costs for the year ended 31 March 2017 increased by approximately 8.7% to approximately HK$37.3 million (2016: approximately HK$34.3 million) as compared with that for the previous year. The finance costs mainly consist of interest expenses for the promissory note and convertible notes.

Impairment loss recognised in respect 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 2017 and 2016, 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 2017 and 2016, including but not limited to (i) the financial position of Xinhua TV Asia-Pacific and its subsidiaries as at 31 March 2017 and 2016; (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 approximated to the carrying amount of intangible assets, i.e., television broadcasting right as at 31 March 2017. Therefore, no impairment loss was recognised during the year ended 31 March 2017. 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 2017 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.

During the year ended 31 March 2016, although the television broadcasting business continued to make steady growth and progress when compared with previous years, it was still under development and 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 2016 was amounted to approximately HK$99.3 million 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 2016, of approximately HK$19.8 million is recognised in respect of intangible assets for the year ended 31 March 2016. 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 2016 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.

Net loss

The net loss attributable to owners of the Company for the year ended 31 March 2017 increased by 125.1% to approximately HK$104.5 million (2016: approximately HK$46.4 million) as compared with that for the previous year. The increase in net loss was mainly resulted from decrease in gross profit for the year.

Loss per Share

The basic loss per Share for the year ended 31 March 2017 was approximately HK2.58 cents (2016: approximately HK1.18 cents).

Prospects

During the year, the Group's provision of civil engineering services remains as the core business and the major revenue contributor to Group. The Group's overall operation is subject to general economic and market risks which may affect the competitiveness and profitability of the Group. In view of uncertain business and market environment, the Group has prudently adjusted overall strategy in the face of intensifying competition within the industries, successfully increased operational efficiency and adopted effective cost control solutions while minimising risk. The Group will continue to strive to expand the scale of business and to strengthen market position of the Group in different business segments.

Provision of civil engineering services

The Group is facing both opportunities and challenges in the market and current business climate in Hong Kong. The approval of funds for construction projects continues to be affected by filibustering in the Legislative Council and is still causing significant delays in the award of Government contracts. Due to the scarcity of work, most of the contract prices are tumbling down. As such, the profit margin of the Group would be likely to suffer in the future, even though the Group has been able to secure enough work at present.

Despite the challenges ahead, the Group believed that leveraging on business strengths and competitive advantages and experienced and dedicated management team, it enables the Group to grow continuously. During the year, the Group has successfully obtained a new subcontract of Elevated Road along Lohas Park Road and the pedestrian footbridge FB1 (contract numbered Q044763) with contract sum of approximately HK$112.8 million. The Group is conservatively positive to the prospects of the construction industry in Hong Kong. The Group will monitor the developments of the construction market closely and remain conservative to preserve the capital resources to meet the challenges ahead. The Group is confident that through the continued effort in cost savings and efficiency improvements, the Group would successfully mitigate the impact of those challenges.

Television broadcasting business

With increasing competitions with different new media platforms, the operation of traditional television broadcasting business continued to suffer in the recent years. Notwithstanding such unforeseeably difficult business environment in which the Group operated, with the experienced management team and reputation, the Group is well-positioned to compete against its competitors under such future challenges that are commonly faced by all competitors. The Group will remain committed to its strategies of staying focus on its core competencies and differentiating ourselves as unique from others. The Group will continue to pursue the key business strategies, including further strengthening the sales and distribution manpower; increasing coverage by forming different strategic cooperation and sharing resources with other media service providers so as to penetrate into different platforms in different locations; and strengthening its market position despite the current market is rather challenging. The Group is confident that the new initiatives will steer the Group in the right direction, strengthen the future business development and improve its long-term prospects.

Looking forward, the Group's core businesses are facing challenges with opportunities ahead. Despite the competitive and challenging environment, the Group will grasp the opportunity by leveraging on its solid business foundation and meanwhile actively identify businesses with profitability capabilities, enrich its brand portfolio and expand diversified business, with a view to generating reasonable returns to the shareholders.

Capital Structure

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

On 21 July 2015, the Company entered into a placing agreement with Ping An of China Securities (Hong Kong) Company Limited to place an aggregate of 300,000,000 Shares to not less than six placees at an issue price of HK$0.25 per placing Share and that the net price to the Company of each placing Share is approximately HK$0.24. The placing price represents (i) a discount of approximately 15.25% to the closing price of HK$0.295 per Share as quoted on the Stock Exchange on 21 July 2015, being the last trading date of the placing agreement; and (ii) a discount of approximately 18.75% to the average closing price of HK$0.307 per Share as quoted on the Stock Exchange for the five consecutive trading days preceeding 21 July 2015.

The placing Shares were placed to not less than six placees, who and whose ultimate beneficial owners are independent institutional, professional and/or individual investors and not concert parties with the controlling shareholder(s) (if any) (as defined under Hong Kong Code on Takeovers and Mergers), and not connected with any directors, chief executive or substantial shareholder (if any) of the Company or its subsidiaries and their respective associates. None of the placees and their respective associates became a substantial shareholder of the Company as a result of the placing. The Directors were of the view that the placing would strengthen the financial position of the Group, including its ability to meet any future obligations and further expand the Group's business. The Directors considered that the terms of the placing agreement, including the rate of the placing commission, were fair and reasonable based on the current market conditions. Accordingly, the Board considered that the placing was in the interests of the Company and the Shareholders as a whole.

The completion of the placing took place on 4 August 2015 and aggregate of 260,000,000 placing Shares have been successfully placed to not less than six placees at issue price of HK$0.25 per Share and raised gross proceeds of approximately HK$65.0 million. The net proceeds from the placing, after the deduction of the placing commission and other related expenses, were approximately HK$63.35 million, which were intended to be applied as general working capital of the Company and development of business(es) in line with future development policy of Xinhua News Agency, the substantial shareholder of the Company. As at the date of the this announcement, approximately HK$46.15 million (2016: approximately HK$28.45 million) (representing approximately 72.8% (2016: approximately 44.9%) of the net proceeds) had been used in the following manner: (i) approximately HK$6.7 million (2016: approximately HK$6.7 million) for payment of interest of the convertible notes of the Company; (ii) HK$1.0 million (2016: approximately HK$1.0 million) for payment of annual fee to China Xinhua NNC under the television broadcasting right agreement; (iii) approximately HK$7.26 million (2016: approximately HK$7.26 million) for repayment of unsecured, interest-free amount due to China Xinhua NNC; (iv) approximately HK$11.35 million (2016: approximately HK$5.0 million) for payment of transmission costs and broadcasting fee of the television broadcasting business; (v) acquisition related expenses of approximately HK$4.0 million (2016: nil) and (vi) approximately HK$15.84 million (2016: approximately HK$8.49 million) for general working capital of the Company. The balance net proceeds of approximately HK$17.2 million (2016: approximately HK$34.9 million) (representing approximately 27.2% (2016: approximately 55.1%) of the net proceeds) has been retained as bank deposits which are intended to be used as future general working capital of the Company.

Total equity attributable to owners of the Company amounted to approximately HK$101.7 million in deficit as at 31 March 2017 (31 March 2016: approximately HK$4.6 million in surplus). The decrease in equity was mainly resulted from net loss for the year.

Liquidity and Financial Resources

During the year ended 31 March 2017, the Group generally financed its operations through internally generated cash flows.

As at 31 March 2017, the Group had net current liabilities of approximately HK$206.1 million (31 March 2016: net current assets of approximately HK$148.0 million), including cash balance of approximately HK$77.3 million (31 March 2016: approximately HK$127.4 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 0.50 as at 31 March 2017 (31 March 2016: approximately 2.13). The decrease in current ratio were primarily due to the fact that the promissory note and convertible notes will be matured on 11 August 2017 and 8 December 2017 respectively and thus reclassified as current liabilities.

Gearing Ratio

The gearing ratio, which is based on the total amount of promissory note, convertible notes, finance lease payables and advance received from customers divided by total assets, was approximately 85.5% as at 31 March 2017 (31 March 2016: approximately 62.5%). The increase in gearing ratio was resulted from decrease in total 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 2017, the Group was mainly exposed to foreign currency exchange risk of United States Dollars and Renminbi and the management mainly monitored the foreign currency exchange risk with advices from the Group's major banks.

Capital Commitment

As at 31 March 2017, the Group did not have any significant capital commitments (31 March 2016: nil).

Charges on the Group's Assets

The Group's motor vehicles with net book values as at 31 March 2017 amounted to approximately HK$9.4 million (2016: approximately HK$14.4 million) was held under finance lease. As at 31 March 2017, the Group pledged its motor vehicles with net book values of approximately HK$nil (31 March 2016: approximately HK$89,000) as securities for its performance of obligations as a subcontractor of the Replacement and Rehabilitation of water mains, Stage 4, Phrase 1 – Mains in Tuen Mun, Yuen Long, North District and Tai Po.

Contingent Liabilities

As at 31 March 2017, the Group did not have any material contingent liabilities (31 March 2016: Nil).

Information on Employees

As at 31 March 2017 the Group had 328 full-time staff in Hong Kong and the PRC and over 90% of them are direct labour. Total staff costs (including Directors' remuneration) for the year ended 31 March 2017 amounted to approximately HK$98.4 million (2016: approximately HK$86.6 million), representing an increase of approximately 13.6% over that for the previous year. The increase was mainly due to the increase in the number of staff to support the expansion of the Group's business.

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

Significant Investment Held

Except for investment in subsidiaries, during the year ended 31 March 2017 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 2017, the Group did not have other plans for material investments and capital assets.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

On 2 February 2016, the Group entered into a sale and purchase agreement with independent third parties pursuant to which a wholly-owned subsidiary of the Company will acquire 100% equity interest in Shenzhen City Century Culture Creative Limited*（深圳市世紀文化創意有限公司）("Shenzhen Culture Company") at a total consideration of HK$600,000,000. The consideration will be partly settled by issue of promissory note and partly by the issue and allotment of consideration shares. The primary business of Shenzhen Culture Company and its subsidiary is the operation and management of Shenzhen City Culture Creative Park*（深圳市文化創意園）in return for rental income including management fee. As certain conditions precedent have not been fulfilled or waived, the sale and purchase agreement was terminated on 31 March 2017. Further details of the proposed acquisition are set out in the announcements of the company dated 14 November 2016, 5 February 2017, 27 March 2017 and 31 March 2017 and circular of the company dated 28 October 2016 respectively.

Save as disclosed above, during the year ended 31 March 2017, 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 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 12 July 2017 to Tuesday, 18 July 2017, 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 22, Hopewell Centre, 183 Queens's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 11 July 2017.

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 2017.

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 2017, except for paragraphs A.2.7 and A.6.7 of the Code. This announcement further illustrates in detail as to how the Code was applied, inclusive of the considered reasons for any deviation throughout the year ended 31 March 2017.

Paragraph A.2.7 of the Code provides that the chairman should at least annually hold meetings with the non-executive Directors and independent non-executive Directors without the executive Directors present. Although the chairman did not hold a meeting with the non-executive Directors and independent non-executive Directors during the year ended 31 March 2017, he delegated the company secretary to gather any concerns and/or questions that the non-executive Directors and independent non-executive Directors might have and report to him for setting up follow-up meetings, whenever necessary, in due course.

Paragraph A.6.7 of the Code requires that independent non-executive directors and non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Two independent non-executive Directors, namely The Hon. Ip Kwok Him, *GBS, JP* and Mr. Wan Chi Keung, Aaron, *BBS, JP* did not attend the annual general meeting of the Company held on 29 July 2016 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. An executive Director, namely Mr. Zhang Hao, a non-executive Director, namely Dr. Li Yong Sheng and an independent non–executive Director, namely Mr. Jin Hai Tao did not attend the extraordinary general meeting of the Company held on 14 November 2016 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 extraordinary general meeting to inter-face with, and answer questions from the Shareholders.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed above, no significant event has taken place subsequent to 31 March 2017 and up to the date of this announcement.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") on 11 August 2010 with terms of reference in compliance with paragraph C.3.3 of the Code.

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

The composition of the Audit Committee is as follows:

Independent non-executive Directors
Mr. Wong Chung Yip, Kenneth *(Chairman)*
The Hon. Ip Kwok Him, *GBS, JP*
Mr. Kwok Man Wai, *SBS, IDS, JP (appointed on 1 November 2016)*
Mr. Wan Chi Keung, Aaron, *BBS, JP*
Mr. Jin Hai Tao

Non-executive Director
Dr. Li Yong Sheng

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

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

* *For identification purpose only*

By Order of the Board
CNC Holdings Limited
Li Yuet Tai
Company Secretary

Hong Kong, 9 June 2017

As at the date of this announcement, the Directors are Mr. Zhang Hao[1] (Chairman), Mr. Zou Chen Dong[1] (Vice Chairman and Chief Executive Officer), Mr. Kan Kwok Cheung[1], Dr. Li Yong Sheng[2], Mr. Chia Kar Hin, Eric John[2], The Hon. Ip Kwok Him, GBS, JP[3], Mr. Kwok Man Wai, SBS, IDS, JP[3], Mr. Wan Chi Keung, Aaron, BBS, JP[3], Mr. Jin Hai Tao[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.