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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017 AND DELAY IN DESPATCH OF INTERIM REPORT

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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.

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This announcement, for which the directors (the "Directors") of CNC Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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.

HIGHLIGHTS

- The Group's revenue for the six months ended 30 September 2017 decreased by approximately 2.2% to approximately HK$220.5 million (2016: approximately HK$225.4 million).

- Loss attributable to owners of the Company for the six months ended 30 September 2017 decreased by approximately 31.9% to approximately HK$24.0 million (2016: approximately HK$35.3 million).

- Basic loss per Share for the six months ended 30 September 2017 was approximately HK0.59 cent (2016: approximately HK0.87 cent).

- The Board does not recommend the payment of any dividend for the six months ended 30 September 2017.

Following the board of Directors (the "Board") meeting held on 8 December 2017, the Board is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 September 2017, together with the unaudited comparative figures for the corresponding periods in 2016, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the three months and six months ended 30 September 2017

		Six months ended 30 September		**Three months ended 30 September**	
		2017	2016	**2017**	2016
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	*3*	**220,498**	225,393	**100,798**	102,063
Cost of services		**(194,363)**	(222,632)	**(88,149)**	(105,580)
Gross profit/(loss)		**26,135**	2,761	**12,649**	(3,517)
Other income	*4*	**309**	960	**302**	372
Other gains and losses	*5*	**(1,002)**	1,962	**(850)**	505
Amortisation expenses		**(10,154)**	(10,130)	**(5,319)**	(5,211)
Selling and distribution expenses		**(100)**	(346)	**(100)**	(103)
Administrative expenses		**(21,964)**	(12,805)	**(7,822)**	(6,334)
Changes in fair value of financial assets at fair value through profit or loss		**(262)**	(1,504)	**(1,012)**	(119)
Loss from operations	*7*	**(7,038)**	(19,102)	**(2,152)**	(14,407)
Finance costs	*9*	**(19,308)**	(18,019)	**(9,341)**	(9,060)
Loss before income tax		**(26,346)**	(37,121)	**(11,493)**	(23,467)
Income tax	*10*	**2,308**	1,845	**161**	1,042
Loss for the period		**(24,038)**	(35,276)	**(11,332)**	(22,425)

	Notes	Six months ended 30 September **2017** *HK$'000*	2016 *HK$'000*	Three months ended 30 September **2017** *HK$'000*	2016 *HK$'000*
Other comprehensive income/(loss):					
Items that may be classified subsequently to profit or loss:					
Exchange differences on translating foreign operations		**1,063**	(800)	**499**	(185)
Other comprehensive income/(loss) for the period, net of tax		**1,063**	(800)	**499**	(185)
Total comprehensive loss for the period		**(22,975)**	(36,076)	**(10,833)**	(22,610)
Loss for the period attributable to the owners of the Company		**(24,038)**	(35,276)	**(11,332)**	(22,425)
Total comprehensive loss for the period attributable to the owners of the Company		**(22,975)**	(36,076)	**(10,833)**	(22,610)
Loss per Share attributable to the owners of the Company	*12*				
– Basic and diluted *(HK cent)*		**(0.59)**	(0.87)	**(0.28)**	(0.55)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2017

	Notes	**As at 30 September 2017 (Unaudited) *HK$'000***	As at 31 March 2017 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment	*13*	**37,694**	45,748
Intangible assets	*14*	**71,811**	80,994
Available-for-sale financial assets		**2,302**	–
		111,807	126,742
Current assets			
Film rights		**–**	–
Inventories		**66**	3,654
Trade and other receivables	*15*	**96,213**	119,737
Tax recoverable		**407**	407
Financial assets at fair value through profit or loss		**7,607**	7,869
Cash and cash equivalents		**104,630**	77,324
		208,923	208,991
Total assets		**320,730**	335,733
Current liabilities			
Trade and other payables	*17*	**106,543**	110,500
Finance lease payables	*18*	**2,528**	3,460
Employee benefits		**3,935**	3,486
Promissory note	*19*	**45,040**	44,124
Convertible notes	*20*	**252,111**	237,652
Current tax liabilities		**19,166**	15,915
		429,323	415,137

	Notes	As at 30 September 2017 (Unaudited) HK$'000	As at 31 March 2017 (Audited) HK$'000
Net current liabilities		**(220,400)**	(206,146)
Total assets less current liabilities		**(108,593)**	(79,404)
Non-current liabilities			
Finance lease payables	*18*	**632**	1,815
Deferred tax liabilities		**15,485**	20,516
		16,117	22,331
Total liabilities		**445,440**	437,468
Net liabilities		**(124,710)**	(101,735)
Capital and reserves			
Share capital	*21*	**4,055**	4,055
Reserves		**(128,765)**	(105,790)
Total Equity		**(124,710)**	(101,735)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 September 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
As at 1 April 2017	**4,055**	**1,238,195**	**2,758**	**62,631**	**(3,074)**	**9,868**	**(1,416,168)**	**(101,735)**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(24,038)**	**(24,038)**
Other comprehensive income for the period:								
Items that may be classified subsequently to profit or loss:								
Exchange differences on translating foreign operations	**–**	**–**	**–**	**–**	**1,063**	**–**	**–**	**1,063**
Total comprehensive loss for the period	**–**	**–**	**–**	**–**	**1,063**	**–**	**(24,038)**	**(22,975)**
As at 30 September 2017 (unaudited)	**4,055**	**1,238,195**	**2,758**	**62,631**	**(2,011)**	**9,868**	**(1,440,206)**	**(124,710)**
As at 1 April 2016	4,055	1,238,195	2,758	62,631	(1,235)	9,868	(1,311,641)	4,631
Loss for the period	–	–	–	–	–	–	(35,276)	(35,276)
Other comprehensive loss for the period:								
Items that may be classified subsequently to profit or loss:								
Exchange differences on translating foreign operations	–	–	–	–	(800)	–	–	(800)
Total comprehensive loss for the period	–	–	–	–	(800)	–	(35,276)	(36,076)
As at 30 September 2016 (unaudited)	4,055	1,238,195	2,758	62,631	(2,035)	9,868	(1,346,917)	(31,445)

* *The aggregate amount of these balances of approximately HK$128,765,000 in deficit (31 March 2017: approximately HK$105,790,000) is included as reserves in the condensed consolidated statement of financial position.*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 September 2017

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
Net cash generated from operating activities	**31,379**	48
Investing activities		
Investment in available-for-sale financial assets	**(2,302)**	–
Purchase of property, plant and equipment	**(1,622)**	(21,704)
Other cash flows (used in)/generated from investing activities	**(76)**	1,480
Net cash used in investing activities	**(4,000)**	(20,224)
Net cash used in financing activities	**(2,182)**	(2,926)
Net increase/(decrease) in cash and cash equivalents	**25,197**	(23,102)
Cash and cash equivalents at the beginning of the period	**77,324**	127,377
Effects of foreign exchange rate changes	**2,109**	28
Cash and cash equivalents at the end of the period	**104,630**	104,303
Analysis of the balance of cash and cash equivalents		
Cash and bank balances	**104,630**	104,303

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

1. GENERAL INFORMATION

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, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong respectively.

The Company's ordinary shares (the "Share(s)") were listed on GEM of the Stock Exchange on 30 August 2010 by way of placing.

The principal activities of the Company are investment holding. The subsidiaries are 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 People's Republic of China (the "PRC")) in return for advertising and related revenue.

2. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2017 (the "Interim Financial Statements") have been prepared in accordance with the Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting", other relevant Hong Kong Accounting Standards, Interpretations and the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the GEM Listing Rules.

(b) Basis of preparation

The accounting policies and method of the computation used in the preparation of the Interim Financial Statements are consistent with those used in the annual report for the year ended 31 March 2017. The Group has adopted new or revised standards, amendments to standards and interpretation of Hong Kong Financial Reporting Standards which are effective for accounting period commencing on or after 1 April 2017. The adoption of such new or revised standards, amendments to standards and interpretation does not have material impact on the Interim Financial Statements and does not result in substantial changes to the Group's accounting policies.

The Interim Financial Statements have been prepared under the historical cost convention except for certain financial instruments that are measured at fair values at the end of each reporting period and are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

(c) Going concern

In preparing the Interim 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$24,038,000 during the six months ended 30 September 2017 and, as of that date, the Group had net current liabilities and net liabilities of approximately HK$220,400,000 and HK$124,710,000 respectively; and
- As at 30 September 2017, the promissory note of the Group in principal amount of approximately HK$45,040,000 was overdue but the Group has not been able to obtain extension of repayment of such balance prior to the date of approval of the Interim Financial Statements and the convertible notes of the Group in principal amount of approximately HK$257,030,000 which are due within the next twelve months after 30 September 2017.

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

(1) China Xinhua News Network Co., Limited ("China Xinhua NNC"), one of the major shareholders of the Company and a convertible notes holder, has confirmed to provide financial support to the Group in a reasonable manner under relevant laws and regulatory requirements, to maintain the going concern of the Company. The financial support only refers to allow the Company to extend the repayment for the liabilities due to China Xinhua NNC to not earlier than 12 months commencing from 30 September 2017, including (1) the convertible notes in the principal amount of approximately HK$257,030,000; (2) the interests payable on the convertible notes amounted to approximately HK$31,811,000 as of 30 September 2017; and (3) the liabilities due to China Xinhua NNC of approximately HK$12,837,000 as of 30 September 2017 in respect of annual fee for television broadcasting right, carriage fee payment and satellite transmission fee, if the repayment would cause the Company to be unable to settle its liabilities due to other parties when they fall due.

(2) The Group is the process of negotiating with China Xinhua NNC, one of the major shareholders and convertible notes holder for potential renewal or extension of the convertible notes. As at the date of approval of the Interim Financial Statements, the Board has approved to authorize a Director to further negotiate, sign the extension agreement and execute on behalf of the Company all acts necessary for or in connection with the potential renewal and extension of the convertible notes on agreeable basis.

(3) The Group is the process of negotiating with the promissory noteholder for possible proposal regarding the promissory note including but not limited to potential renewal or extension of the promissory note and other feasible solutions.

(4) 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.

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

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 Interim 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 Interim Financial Statements.

3. REVENUE

Revenue recognised during the three months and six months ended 30 September 2017 and 30 September 2016 were as follows:

	Six months ended 30 September		**Three months ended 30 September**	
	2017	2016	**2017**	2016
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Construction works	**219,444**	218,918	**100,754**	98,712
Advertising income*	**1,054**	6,475	**44**	3,351
	220,498	225,393	**100,798**	102,063

* *Publication income of approximately HK$37,000 and HK$45,000 (three months and six months ended 30 September 2016: nil and nil respectively) was included in advertising income during the three months and six months ended 30 September 2017 respectively.*

4. OTHER INCOME

Other income recognised during the three months and six months ended 30 September 2017 and 30 September 2016 were as follows:

	Six months ended 30 September		**Three months ended 30 September**	
	2017	2016	**2017**	2016
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Interest income	**12**	284	**5**	210
Dividend income	**292**	–	**292**	–
Sundry income	**5**	676	**5**	162
	309	960	**302**	372

5. OTHER GAINS AND LOSSES

Other gains and losses recognised during the three months and six months ended 30 September 2017 and 30 September 2016 were as follows:

	Six months ended 30 September		Three months ended 30 September	
	2017	2016	**2017**	2016
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Exchange (loss)/gain, net	**(1,049)**	828	**(507)**	191
Net gains/(losses) on disposal of property, plant and equipment	**47**	1,134	**(343)**	314
	(1,002)	1,962	**(850)**	505

6. 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 six months ended 30 September 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 segment.

For the six months ended 30 September 2017

	Provision of civil engineering services (Unaudited) *HK$'000*	Television broadcasting business (Unaudited) *HK$'000*	Others (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Revenue from external customers	**219,444**	**1,054**	**–**	**220,498**
Other income and gains	**79**	**2**	**–**	**81**
Reportable segment revenue	**219,523**	**1,056**	**–**	**220,579**
Reportable segment results	**16,114**	**(13,526)**		**2,588**
Unallocated corporate income				**304**
Unallocated corporate expenses				**(9,930)**
Finance costs				**(19,308)**
Loss before income tax				**(26,346)**

For the six months ended 30 September 2016

	Provision of civil engineering services (Unaudited) *HK$'000*	Television broadcasting business (Unaudited) *HK$'000*	Others (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Revenue from external customers	218,918	6,442	33	225,393
Other income and gains	1,262	–	–	1,262
Reportable segment revenue	220,180	6,442	33	226,655
Reportable segment results	(2,218)	(8,442)		(10,660)
Unallocated corporate income				1,664
Unallocated corporate expenses				(10,106)
Finance costs				(18,019)
Loss before income tax				(37,121)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the six months ended 30 September 2017 and 30 September 2016.

Segment profit/(loss) represents the profit earned/loss incurred by each segment without allocation of central administration costs, interest income, dividend income, finance costs, change in fair value of financial assets at fair value through profit or loss and income tax expenses. This is the measure reported to the chief operating decision maker for the purpose 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 30 September 2017 (Unaudited)

	Provision of civil engineering services *HK$'000*	Television broadcasting business *HK$'000*	Total *HK$'000*
Segment assets	**122,345**	**75,658**	**198,003**
Unallocated			**122,727**
Consolidated assets			**320,730**
Segment liabilities	**63,006**	**14,898**	**77,904**
Unallocated			**367,536**
Consolidated liabilities			**445,440**

As at 31 March 2017 (Audited)

	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

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

- all assets are allocated to operating segments other than available-for-sale financial assets, 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 segment of 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.

Information about major customers

During the six months ended 30 September 2017, included in revenue arising from provision of civil engineering services of approximately HK$219,444,000 (2016: approximately HK$218,918,000) are revenue generated from three (2016: three) customers amounting to approximately HK$196,802,000 (2016: approximately HK$200,320,000). Each customer has individually accounted for over 10% of the Group's total revenue. No other single customer contributed 10% or more to the Group's revenue for the six months ended 30 September 2017 and 30 September 2016.

Revenue from major customers is as follows:

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Customer A	**100,465**	118,572
Customer B	**35,838**	42,417
Customer C	**60,499**	39,331
	196,802	200,320

7. LOSS FROM OPERATIONS

Loss from operations is arrived at after charging the following:

	Six months ended 30 September		Three months ended 30 September	
	2017	2016	**2017**	2016
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amortisation of intangible assets (included in amortisation expenses)	**9,183**	9,183	**4,617**	4,617
Amortisation of film rights (included in amortisation expenses)	**971**	947	**702**	594
Contract costs recognised as expense	**188,880**	217,240	**85,701**	102,926
Depreciation of property, plant and equipment	**9,135**	8,937	**4,485**	4,597
Staff costs *(note 8)*	**56,277**	48,503	**24,344**	24,448

8. STAFF COSTS

	Six months ended 30 September		Three months ended 30 September	
	2017	2016	**2017**	2016
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Staff costs (including Directors' remuneration) comprise:				
Wages, salaries and other benefits	**55,224**	46,954	**24,076**	23,791
Contribution to defined contribution retirement plan	**1,053**	1,549	**268**	657
	56,277	48,503	**24,344**	24,448

9. FINANCE COSTS

	Six months ended 30 September		Three months ended 30 September	
	2017	2016	**2017**	2016
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Interests on:				
Finance leases payables	**67**	152	**29**	71
Promissory note *(note 19)*	**916**	1,540	**99**	781
Convertible notes *(note 20)*	**18,325**	16,327	**9,213**	8,208
	19,308	18,019	**9,341**	9,060

10. INCOME TAX

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

	Six months ended 30 September		Three months ended 30 September	
	2017	2016	**2017**	2016
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current tax – Hong Kong profits tax				
– current period	**2,723**	636	**2,809**	312
Current tax – PRC Enterprise Income tax				
– current period	**–**	685	**–**	290
Deferred tax				
– current period	**(5,031)**	(3,166)	**(2,970)**	(1,644)
Income tax credit	**(2,308)**	(1,845)	**(161)**	(1,042)

Hong Kong profits tax is calculated at 16.5% (2016: 16.5%) on the estimated assessable profits during each of the three months and six months ended 30 September 2017 and 30 September 2016.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (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 PRC Enterprise Income tax has been made as the subsidiary incorporated in the PRC had no assessable profits arising in the PRC during each of three months and six months ended 30 September 2017. The provision for PRC Enterprise Income tax was calculated on the estimated assessable profits of the subsidiary incorporated in the PRC at 15% for each of three months and six months ended 30 September 2016.

11. DIVIDENDS

The Board does not recommend the payment of any dividend for each of the three months and six months ended 30 September 2017 respectively (2016: nil).

12. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculations of basic loss per Share for the three months and six months ended 30 September 2017 is based on the unaudited consolidated loss of approximately HK$11,332,000 and approximately HK$24,038,000 attributable to the owners of the Company for each of the three months and six months ended 30 September 2017 respectively (three months and six months ended 30 September 2016: approximately HK$22,425,000 and approximately HK$35,276,000 respectively) and the weighted average number of 4,055,349,947 Shares and 4,055,349,947 Shares in issue for the three months and six months ended 30 September 2017 respectively (weighted average number of Shares in issue for the three months and six months ended 30 September 2016: 4,055,349,947 Shares and 4,055,349,947 Shares respectively) as if they had been in issue throughout the periods.

Diluted loss per share for the three months and six months ended 30 September 2017 and 2016 are the same as the basic loss per share. The computation of diluted loss per share for the three months and six months ended 30 September 2017 and 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. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2017, the Group acquired items of property, plant and equipment with aggregate cost of approximately HK$1,622,000 (six months ended 30 September 2016: approximately HK$22,160,000). During the six months ended 30 September 2017, items of property, plant and equipment with carrying value of approximately HK$543,000 were disposed of (six months ended 30 September 2016: approximately HK$1,009,000).

14. INTANGIBLE ASSETS

	As at 30 September 2017 (Unaudited) *HK$'000*	As at 31 March 2017 (Audited) *HK$'000*
Cost:		
At 1 April 2016, 31 March 2017, 1 April 2017 and 30 September 2017	**567,000**	567,000
Accumulated amortisation and impairment:		
At the beginning of period/year	**486,006**	467,690
Amortisation expenses for the period/year	**9,183**	18,316
At the end of period/year	**495,189**	486,006
Carrying amount at the end of period/year	**71,811**	80,994

Intangible assets represent television broadcasting right acquired by the Group. The useful life of television broadcasting right is 10 years.

15. TRADE AND OTHER RECEIVABLES

	As at 30 September 2017 (Unaudited) *HK$'000*	As at 31 March 2017 (Audited) *HK$'000*
Trade receivables *(note (i) & (iii))*	**37,460**	59,018
Allowance for doubtful debts	**(2,660)**	(2,660)
	34,800	56,358
Retention receivables *(note (ii) & (iii))*	**14,222**	13,064
Other receivables and prepayments *(note (iv))*	**39,537**	46,443
Amounts due from customers for contract works *(note 16)*	**3,810**	–
Deposits	**3,844**	3,872
	96,213	119,737

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 at the end of the reporting period:

	As at 30 September 2017 (Unaudited) *HK$'000*	As at 31 March 2017 (Audited) *HK$'000*
Current or less than 1 month	**34,745**	56,305
1 to 3 months	**–**	4
More than 3 months but less than 12 months	**12**	18
More than 12 months	**43**	31
	34,800	56,358

The Group grants an average credit period of 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 ageing 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

	As at 30 September 2017 (Unaudited) *HK$'000*	As at 31 March 2017 (Audited) *HK$'000*
Overdue by:		
31 – 60 days	–	4
61 – 90 days	–	2
More than 3 months but less than 12 months	**12**	16
More than 12 months	**43**	31
	55	53

Movements in the allowance for doubtful debts

	As at 30 September 2017 (Unaudited) *HK$'000*	As at 31 March 2017 (Audited) *HK$'000*
Balance at the beginning of the period/year	**2,660**	2,238
Impairment loss recognised on trade receivables	–	422
Balance at the end of the period/year	**2,660**	2,660

No impairment loss was recognised in the condensed consolidated statement of profit or loss and other comprehensive income during the six months ended 30 September 2017. Impairment loss of approximately HK$422,000 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 the reporting periods.

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

16. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORKS

	As at 30 September 2017 (Unaudited) *HK$'000*	As at 31 March 2017 (Audited) *HK$'000*
Contracts in progress at the end of the reporting period:		
Contract costs incurred to date plus recognised profits less recognised loss	**1,809,242**	1,933,605
Less: Progress billings	**(1,805,432)**	(1,933,605)
	3,810	–

17. TRADE AND OTHER PAYABLES

	As at 30 September 2017 (Unaudited) *HK$'000*	As at 31 March 2017 (Audited) *HK$'000*
Trade payables	**34,561**	39,128
Retention money payables	**14,860**	19,085
Amount due to a shareholder *(note (i))*	**12,837**	11,337
Interest payables	**31,811**	27,945
Receipt in advance	**113**	–
Amount due to a related party *(note (ii))*	**2,009**	2,009
Other payables and accruals	**10,352**	10,996
	106,543	110,500

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 credit term. Based on the invoice date, ageing analysis of trade payables at the end of the reporting period is as follows:

	As at 30 September 2017 (Unaudited)	As at 31 March 2017 (Audited)
	HK$'000	*HK$'000*
Current or less than 1 month	**33,417**	37,689
1 to 3 months	**481**	305
More than 3 months but less than 12 months	**663**	1,134
	34,561	39,128

18. FINANCE LEASE PAYABLES

The Group leases a number of its motor vehicles. Such assets are classified as finance leases as the rental period approximates the estimated useful economic lives of the assets concerned and often the Group has the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount. The lease terms ranged from one to three years. No arrangements have been entered into for contingent rental payments.

Future lease payments are due as follows:

	As at 30 September 2017		
	Minimum lease payments (Unaudited)	**Future finance charges (Unaudited)**	**Present Value of minimum lease payments (Unaudited)**
	HK$'000	***HK$'000***	***HK$'000***
Within one year	**2,586**	**58**	**2,528**
In more than one year and not more than five years	**639**	**7**	**632**
	3,225	**65**	**3,160**
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(2,528)**
Amount due for settlement after 12 months			**632**

	As at 31 March 2017		
	Minimum lease payments (Audited) *HK$'000*	Future finance charges (Audited) *HK$'000*	Present Value of minimum lease payments (Audited) *HK$'000*
Within one year	3,565	105	3,460
In more than one year and not more than five years	1,841	26	1,815
	5,406	131	5,275
Less: Amount due for settlement within 12 months (shown under current liabilities)			(3,460)
Amount due for settlement after 12 months			1,815

19. PROMISSORY NOTE

A promissory note with a principal amount of HK$45,040,000 was issued by Profit Station Limited ("Profit Station"), a direct wholly-owned subsidiary of the Company on 11 August 2011 (the "Issue Date") upon the completion of the acquisition of 17% of equity interests in China New Media (HK) Company Limited. The promissory note was unsecured, carried interest at the rate of 3% per annum and matured on 11 August 2014. Profit Station might early redeem all or part of the promissory note at any time from the Issue Date. Unless previously redeemed, Profit Station would redeem the promissory note on its maturity date.

On 11 August 2014 (the "Renewal Date"), Profit Station has entered into an extension agreement with the noteholder of the promissory note pursuant to which the maturity date of the promissory note was extended from 11 August 2014 to 11 August 2017 and the extended promissory note will be non-interest bearing with effect from 11 August 2014 till 11 August 2017. Except the abovementioned, other terms and conditions of the promissory note remain unchanged.

The fair value of the liability component of the extended promissory note at the Renewal Date amounted to approximately HK$36,332,000. The fair value is calculated using discounted cash flow method at a rate of 7.423%.

	As at 30 September 2017 (Unaudited) ***HK$'000***	As at 31 March 2017 (Audited) *HK$'000*
At the beginning of the reporting period/year	**44,124**	40,995
Interest charged at an effective interest rate of 7.423% *(note 9)*	**916**	3,129
Balance at the end of the reporting period/year	**45,040**	44,124

20. CONVERTIBLE NOTES

On 9 December 2011, the Company issued convertible notes with the principal amount of approximately HK$607,030,000, carried interest at the rate of 5% per annum as part of the consideration for the acquisition of Xinhua TV Asia-Pacific Operating Co., Limited ("Xinhua TV Asia-Pacific"). Each note entitles the holder to convert to ordinary shares at a conversion price of approximately HK$0.196 per share. Conversion might occur at any time between 9 December 2011 and 8 December 2014. If the notes have not been converted, the Company would redeem on 9 December 2014 at the outstanding principal amount. Interest of 5% per annum would be paid annually until the notes are converted or redeemed.

On 9 December 2014, the Company entered into the supplemental deed with China Xinhua NNC pursuant to which the Company and China Xinhua NNC agreed to amend certain terms and conditions of the convertible notes, where (i) the maturity date of the convertible notes will be extended for 3 years and the conversion period will accordingly be extended for 3 years to 9 December 2017; and (ii) the interest rate of the convertible notes will be amended from 5% per annum to 3% per annum for the extended period, being from 9 December 2014 to 9 December 2017.

The convertible notes contain two components, liability and equity components. The equity component is presented in equity heading "convertible notes equity reserves". The effective interest rates of the liability component is 15.98%.

	As at 30 September 2017 (Unaudited) ***HK$'000***	As at 31 March 2017 (Audited) *HK$'000*
Equity component		
Balance at the beginning and end of the reporting period/year	**62,631**	62,631

	As at 30 September 2017 (Unaudited) ***HK$'000***	As at 31 March 2017 (Audited) *HK$'000*
Liability component		
At the beginning of the reporting period/year	**237,652**	211,482
Interest charged calculated at an effective interest rate of 15.98% *(note 9)*	**18,325**	33,872
Interest payable	**(3,866)**	(7,702)
Balance at the end of the reporting period/year	**252,111**	237,652

21. SHARE CAPITAL

Ordinary shares of HK$0.001 each

	Number of Shares	**Nominal value**
		HK$'000
Authorised:		
As at 1 April 2017 and 30 September 2017 (unaudited)	500,000,000,000	500,000
Issued and fully paid:		
As at 1 April 2017 and 30 September 2017 (Unaudited)	4,055,349,947	4,055

22. OPERATING LEASES

The Group as leasee

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Minimum lease payments paid under operating leases during the period	**7,456**	7,280

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 30 September 2017	As at 31 March 2017
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Within one year	**14,248**	14,454
In the second to fifth years inclusive	**19,536**	26,212
	33,784	40,666

Operating leases related to office property, staff quarter, certain office equipment, television broadcasting right, the use of satellite capacity and broadcasting services with lease term between 1 to 10 years. All operating lease contracts contain market review clauses in the event that the Group exercises its option to renew. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

23. MATERIAL RELATED PARTY TRANSACTIONS

During the reporting period, the Group entered into the following related party transactions:

		Transaction amount			
		Six months ended 30 September		**Three months ended 30 September**	
Related party relationship	**Type of transaction**	**2017**	2016	**2017**	2016
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
A company that Chia Kar Hin, Eric John ("Mr. Chia"), the then non-executive Director, had material interest	Service fee for announcement posting agreement	**5**	5	**3**	3
A company that the spouse of Mr. Chia had material interest	Legal and professional fee paid	**37**	36	**15**	12
China Xinhua NNC	Annual fee for television broadcasting right *(note (i))*	**1,500**	500	**750**	250
	Accrued interests on convertible notes *(note (ii))*	**3,866**	3,855	**1,944**	1,938

Notes:

(i) Pursuant to the agreement 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.

(ii) During the six months ended 30 September 2017, the convertible notes interest payable to China Xinhua NNC was amounted to approximately HK$3,866,000 (six months ended 30 September 2016: approximately HK$3,855,000).

One of the Directors, Mr. Kan Kwok Cheung, who is also a shareholder of the Company, has provided personal guarantee to the lessor in respect of the Group's obligations under finance lease as at the end of the reporting period as disclosed in note 18.

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.

24. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active markets are determined with reference to quoted market bid prices and ask prices respectively.

- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

- The fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the Interim Financial Statements approximate to their fair values.

Fair value measurements recognised in the condensed consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	As at 30 September 2017 (Unaudited)			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Available-for-sale financial assets	**–**	**–**	**2,302**	**2,302**
Financial assets at fair value through profit or loss	**7,607**	**–**	**–**	**7,607**

	As at 31 March 2017 (Audited)			
	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at fair value through profit or loss	7,869	–	–	7,869

25. COMPARATIVE FINANCIAL INFORMATION

Certain comparative figures have been restated to conform with current period's presentation.

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 six months ended 30 September 2017 (the "Period"), the Group continued to focus on rendering civil engineering services to the public sector in Hong Kong and develop its television broadcasting business.

Provision of civil engineering services

During the Period, the Group has been undertaking three main contracts and eight subcontracts. Among the eleven contracts, four are related to provision of civil 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**
Main contracts	8/WSD/11	Construction of Pak Shek Kok Fresh Water Service Reservoir Extension
	3/WSD/13	Mainlying near She Shan Tsuen, Tai Po
	DC/2013/09	Advance Works for Shek Wu Hui Sewage Treatment Works – Further Expansion Phase 1A and Sewerage Works at Ping Che Road
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
	DC/2012/04	Sewerage in Kau Lung Hang San Wai, Kau Lung Hang Lo Wai and Tai Hang
	DC/2012/07	Lam Tsuen Valley Sewerage – village sewerage, stage 2, phase 1
	DC/2012/08	Lam Tsuen Valley Sewerage – village sewerage, stage 2, phase 2
	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
	CV/2015/03	Site formation and infrastructural works near Tong Hang Road and Tsz Tin Road in Area 54, Tuen Mun
	810B	West Kowloon Terminus Station South, Contract 810B
	Q044763	Elevated Road along Lohas Park Road and the pedestrian footbridge FB1

During the Period, the two contracts with contracts numbered CV/2015/03 and DC/2013/09 were the main contributors to the Group's revenue, which generated approximately HK$141.0 million and HK$28.4 million, constituting approximately 63.9% and 12.9% of the Group's total revenue respectively.

Television broadcasting business

Currently, the Group aims to produce the different documentary feature programmes and invest different television dramas and films in order to diversify the television broadcasting business by penetrating into different markets and catering the taste and preference of the different audiences. By doing so, the Group has produced a documentary feature programme "Decoding Hong Kong" 《解讀香港》 to explore and look forward to the 20th anniversary of the transfer of sovereignty over Hong Kong to the PRC during the Period. Its contents include the interview with over sixty individuals from different sectors of the community in Hong Kong so as to explore the mentality changes of Hong Kong citizens in an objective and thorough manner, to analyse the current problems and challenges in depth and illustrates how the "one country, two systems" and "Hong Kong people administering Hong Kong" with a high degree of autonomy work and play to its unique strengths. In October 2017, the Company has received the award notice from the Academic Committee of Television Documentary of the China TV Artists Association*（中國視協電視紀錄片學術委員會）, pursuant to which "Decoding Hong Kong" 《解讀香港》will be awarded the Best Documentary in the 23rd China Documentary Series（第二十三屆中國紀錄片系列好作品）. The award is organized by China TV Artists Association*（中國電視藝術家協會）and the Academic Committee of Television Documentary of the China TV Artists Association*（中國視協電視紀錄片學術委員會）and is a national award specializing in professional and academic fields. The award affirmed the production quality and success of feature programmes of the Company.

In order to boost up a comprehensive business development of television broadcasting business, the Group will diversify its business into the film and television market in the PRC and develop film and television culture projects in the PRC based on the taste and interests of different audiences. The Group believed that the recent development can increase the revenue of the Group, respond to the changing business environment and meet the evolving interests of mass audience. In summary, the Group believes that its integrated media platform presents the most balanced and synergistic approach to the existing businesses of the Group. The Group will continue to optimise its resources and strive towards this goal.

The Company has also been continuously evaluating the current business strategies of the Group and the financing performance of the Group's existing businesses with an aim to achieve the best use of its resources and improve its overall performance and portfolio diversification. The Group has been actively looking to diversify the revenue sources of the Group in order to create shareholders' value through making investments and/or acquiring business or projects that have promising outlooks and prospects.

Financial Review

Revenue

For the Period, the Group reported a revenue of approximately HK$220.5 million (2016: approximately HK$225.4 million), representing a decrease of approximately 2.2% as compared with that for the same period of the previous year. The revenue derived from provision of civil engineering services and television broadcasting business constituted approximately 99.5% and 0.5% of the Group's total revenue respectively. The decrease in revenue was mainly due to the fact that increase in work from civil engineering projects with contract number CV/2015/03 was offset by decrease in work from certain engineering projects reaching completion or maintenance stage. The Group derived aggregate advertising revenue of approximately HK$1.0 million (2016: approximately HK$6.5 million) from television broadcasting business.

During the Period, the revenue of the Group was primarily generated from the undertaking of civil engineering contracts in the capacity as a subcontractor. The subcontracting revenue amounted to approximately HK$119.8 million (2016: approximately HK$120.2 million), representing approximately 54.3% (2016: approximately 53.3%) of the total revenue for the Period. On the other hand, the aggregate revenue generated from the undertaking of civil engineering contracts in the capacity of a main contractor and jointly controlled operator amounted to approximately HK$99.7 million (2016: approximately HK$98.7 million), representing approximately 45.2% (2016: approximately 43.8%) of the total revenue for the Period.

Cost of services

The Group's cost of services for the Period decreased by approximately 12.7% to approximately HK$194.4 million (2016: approximately HK$222.6 million) as compared with that for the same period of 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.

Gross profit

The gross profit of the Group for the Period increased by approximately 8.5 times to approximately HK$26.1 million (2016: approximately HK$2.8 million) as compared with that for the same period of the previous year. The gross profit margin of the Group increased to approximately 11.9% for the Period (2016: approximately 1.2%). The increase in gross profit was mainly due to the certain construction projects which had commanded better gross profit during the Period through cost control measures.

Other income

The Group's other income for the Period decreased by 67.8% to approximately HK$0.3 million (2016: approximately HK$1.0 million) as compared with that for the same period of the previous year. The decrease in other income was mainly due to the written back of certain retention payables of provision of civil engineering services business during the six months ended 30 September 2016.

Other gains and losses

The Group's other gains and losses for the Period amounted to approximately HK$1.0 million in deficit (2016: approximately HK$2.0 million in surplus). Other gains and losses mainly consisted of net loss on foreign exchange difference for the Period.

Amortisation expenses

The Group's amortisation expenses for the Period increased by approximately 0.2% to approximately HK$10.2 million (2016: approximately HK$10.1 million) as compared with that for the same period of the previous year. The amortisation expenses mainly consisted of amortisation 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 Period amounted to approximately HK$0.1 million (2016: approximately HK$0.3 million). The selling and distribution expenses mainly consisted of advertising expenses for the television broadcasting business.

Administrative expenses

The Group's administrative expenses for the Period increased by approximately 71.5% to approximately HK$22.0 million (2016: approximately HK$12.8 million) as compared with that for the same period of the previous year. The administrative expenses mainly consisted of legal and professional fees, staff costs (including Directors' remuneration), depreciation expenses and rental expenses. The increase in administrative expenses was mainly due to the delay of payment of last financial year end bonus in respect of provision of civil engineering services business during the Period.

Finance costs

The Group's finance costs for the Period increased by approximately 7.2% to approximately HK$19.3 million (2016: approximately HK$18.0 million) as compared with that for the same period of the previous year. The finance costs mainly consisted of interest expenses for the promissory note and convertible notes.

Net Loss

The net loss attributable to owners of the Company for the Period decreased by 31.9% to approximately HK$24.0 million (2016: approximately HK$35.3 million) as compared with that for the same period of the previous year. The decrease in net loss was mainly due to increase in gross profit during the Period.

Loss per Share

The basic loss per Share was approximately HK0.59 cent (2016: approximately HK0.87 cent).

Prospects

The Group acknowledges its business in moving forward challenges. During the Period, the Group's provision of civil engineering services business remains the major revenue contributor to Group while the Group continues to devote efforts to further develop its television broadcasting business. The Group will continue its existing core businesses and at the same time continue to review the strategic directions and operations of the Group in order to chart its long term corporate strategy and growth and to explore other business or investment opportunities.

Provision of civil engineering services

Hong Kong construction companies are facing challenging condition owing to the slower progress of scrutinising the funding proposals for public works projects. The delays in funds approval to the proposed infrastructure projects would cause higher scarcity of public works available in the market which means the business environment of construction industry would be even more competitive. Thus, the Group has also been facing fierce competition and tougher operating environment resulting from increasing construction costs due to increasing stringent regulatory controls and rising construction materials and operating costs. As such, the fierce competitions coupled with the under-performance of certain civil engineering projects impacted the profitability of the Group.

However, the Group anticipated that the long term prospect of the construction industry still remains positive. Looking forward, the Group has pursued different strategic measures, including but not limited to effective cost measures, tendering more profitable contracts, etc., so as to successfully mitigate the impact of those challenges. By doing so, the Group will continue to focus our efforts on soliciting new opportunities in the competitive construction market. The Group intends to expand the business capacity and scale to strength the market position in Hong Kong to capture more sizeable and profitable projects.

Television broadcasting business

In the first half of 2017, the advertising market continued to be adversely impacted by global and local economic uncertainties. The outlook for the media industry was still murky as advertisers tend to be very cautious when deciding when and where to place their marketing campaigns. Besides, suffering from changing viewing habits and patterns from audiences, the Group is currently operating in tough environment. With increasing popularity of new media and social media, it has posed serious challenges to the traditional television business and thus affected the performance of the Group.

Despite of the deteriorating market development, the Group is well-positioned to compete against its competitors by leveraging on brand name of Xinhua News Agency as well as the built-up of market influence of the Group. The Group would strive to maintain the competitiveness of the core operations of the Group and penetrate into new markets by forming strategic cooperation, co-development and sharing of resources with business partners so as to reduce the costs and risks associated in operating in this business segment. Also, the Group has taken measures to streamline its operations and reduce operating costs so as to increase its cost efficiency. In moving forward, the Group would strengthen the marketing effort in hope to expand our market shares in the different platforms and different markets and at the same time, continue to consolidate the resources and leverage the existing manpower to develop the television broadcasting business.

The Group aims to proactively seek potential investment opportunities in order to enhance value of the shareholders of the Company. The Group will seek suitable investment opportunities from time to time to diversify its existing business portfolio into new line of business with growth potential and to broaden its source of income. The Group will continue to strive for expansion of the existing businesses in order to improve the financial performance of the Group and generate greater value to the shareholders of the Company.

Capital Structure

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

Total equity attributable to owners of the Company amounted to approximately HK$124.7 million in deficit as at 30 September 2017 (31 March 2017: approximately HK$101.7 million in deficit). The decrease in equity was mainly resulted from net loss for the Period.

Liquidity and Financial Resources

During the Period, the Group generally financed its operations through internally generated cash flows.

As at 30 September 2017, the Group had net current liabilities of approximately HK$220.4 million (31 March 2017: approximately HK$206.1 million), including cash balance of approximately HK$104.6 million (31 March 2017: approximately HK$77.3 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 0.49 as at 30 September 2017 (31 March 2017: approximately 0.50).

Gearing Ratio

The gearing ratio, which is based on the total amount of promissory note and convertible notes and finance lease payables and advance received from customers divided by total assets, was approximately 93.7% as at 30 September 2017 (31 March 2017: approximately 85.5%). 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 Period, 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 30 September 2017, the Group did not have any significant outstanding commitment (31 March 2017: Nil).

Charges on the Group's Assets

The Group's motor vehicles with net book values of approximately HK$6.1 million (31 March 2017: approximately HK$9.4 million) was held under finance lease as at 30 September 2017.

Contingent Liabilities

As at 30 September 2017, the Group did not have any material contingent liabilities (31 March 2017: Nil).

Dividends

The Board does not recommend the payment of any dividend for the Period.

Information on Employees

As at 30 September 2017, the Group had 294 full-time employees in Hong Kong and over 90% of them are direct labour. Total staff costs (including Directors' remuneration) for the Period amounted to approximately HK$56.3 million (2016: approximately HK$48.5 million), representing an increase of approximately 16.0% over that for the previous year.

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

Significant Investment Held

As at 30 September 2017, the Group held 20% equity interest in the issued share capital of Beijing Hua Dong Express Rail Media Technology Limited*（北京華動高車傳媒科技有限公司）which is engaged in provision of audio and video mobile content services in Express Rail in the PRC as a long term investment.

Except for investment in subsidiaries and the investment as disclosed above, during the Period 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 30 September 2017, the Group did not have other plans for material investments and capital assets (31 March 2017: Nil).

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the Period, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

Share Option Scheme

The share option scheme of the Company was adopted and approved by the shareholders of the Company on 11 August 2010. No share options have been granted pursuant to the share option scheme during the Period.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2017, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Cap. 571, Laws of Hong Kong) ("SFO")) which have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO); or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

Long position in the Shares:

Name	Capacity/Nature of interest	Number of Shares held	Percentage of aggregate interests to total issued share capital
Mr. Kan Kwok Cheung ("Mr. Kan") *(Note)*	Interest in controlled corporation	69,000,000	1.70%
Mr. Chia Kar Hin, Eric John, the then non-executive Director	Beneficial owner	14,600,000	0.36%

Note: Mr. Kan is the sole beneficial owner of Shunleetat (BVI) Limited ("Shunleetat"), which was interested in 69,000,000 Shares. Under the SFO, Mr. Kan is deemed to be interested in all the Shares held by Shunleetat.

Saved as disclosed above, as at 30 September 2017, none of the Directors and chief executive of the Company had any other interests or short positions in any Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as was known to the Directors, as at 30 September 2017, the following persons/entities (other than the Directors or chief executive of the Company) had, or are deemed to have, interests or short positions in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who/which were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or who/which were recorded in the register required to be kept by the Company under Section 336 of the SFO with details as follows:

Long position in the Shares:

	Number of Shares held		**Number of underlying Shares under convertible notes** *(Note a)*			
Name	**Beneficial owner**	**Interest in controlled corporation**	**Beneficial owner**	**Interest in controlled corporation**	**Total interests**	**Percentage of aggregate interests to total issued share capital**
China Xinhua NNC	1,188,621,377 *(Note b)*	–	1,311,378,623 *(Note b)*	–	2,500,000,000	61.65%
中國新華新聞電視網有限公司 ("CNC China")	–	1,188,621,377 *(Note b)*	–	1,311,378,623 *(Note b)*	2,500,000,000	61.65%

Notes:

(a) Details of the convertible notes were set out in the circulars of the Company dated 19 November 2011 and 6 January 2015.

(b) China Xinhua NNC is wholly and beneficially owned by CNC China. Accordingly, CNC China is deemed to be interested in the 1,188,621,377 Shares and 1,311,378,623 underlying Shares held by China Xinhua NNC under the SFO.

Saved as disclosed above, as at 30 September 2017, the Directors were not aware of any other person/entity (other than the Directors or chief executive as disclosed in the paragraph headed "Directors' and chief executive's interests and short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations" above) who/which had, or is deemed to have, interests or short positions in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who/which were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or who/which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this announcement, none of the Directors and their respective associates including spouses and children under 18 years of age was granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company or any other body corporate, or had exercised any such right during the Period.

PURCHASE, SALE OR REDEMPTION OF THE SHARES

During the Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares.

CONNECTED TRANSACTIONS

During the Period, the Group entered into following continuing connected transactions:

Television Broadcasting Right Agreement

On 5 September 2011, Xinhua TV Asia-Pacific entered into a television broadcasting right agreement (the "Television Broadcasting Right Agreement") with China Xinhua NNC, pursuant to which China Xinhua NNC granted the television broadcasting right in respect of broadcasting information contents from Xinhua News Agency under the CNC Channels on television channels in the Asia-Pacific region (excluding the PRC) to the Group for an annual fee of HK$1.0 million prior to 31 December 2016 and HK$3.0 million with effective from 1 January 2017. The Television Broadcasting Right Agreement has a term of 120 months from 1 September 2011 to 31 August 2021. Since China Xinhua NNC is a substantial shareholder of the Company, and therefore a connected person of the Company within the meaning of the GEM Listing Rules, the transactions contemplated under the Television Broadcasting Right Agreement constitute continuing connected transactions for the Company pursuant to Chapter 20 of the GEM Listing Rules.

Announcement Posting Agreement

On 12 May 2017 and 3 May 2016, the Company entered into agreements (the "Announcement Posting Agreements") with Hong Kong Listco Limited ("HKLC") pursuant to which HKLC will provide the Company with the service of dissemination of announcements including hosting and posting of announcements, press releases or other documents as required by the GEM Listing Rules on the website(s) of the Group at a monthly service fee of HK$750 for a term of one year commencing from 1 July 2017 and 1 July 2016 respectively. HKLC is a company incorporated in Hong Kong and is wholly and beneficially owned by Mr. Chia Kar Hin, Eric John, the then non-executive Director. The Company considers it more cost effective to engage a professional firm to take up this announcement posting obligation after listing.

GEM Listing Rules Implications

Pursuant to Rule 20.41 of the GEM Listing Rules, the transactions contemplated under the Television Broadcasting Right Agreement are subject to the applicable reporting, annual review and disclosure requirements under Chapter 20 of the GEM Listing Rules. The Company will comply with the applicable reporting, disclosure and independent shareholders' approval requirements, as the case may be, under Chapter 20 of the GEM Listing Rules upon any variation or renewal of the Television Broadcasting Right Agreement.

As the annual service fee payable under the Announcement Posting Agreements referred to above is less than HK$1.0 million and none of the percentage ratios, on an annual basis, equals or exceeds 5%, and the Announcement Posting Agreements were entered into in the ordinary and usual course of business of the Group, the transactions under the aforesaid agreements are exempt continuing connected transactions of the Company pursuant to Rule 20.33(3)(c) of the GEM Listing Rules, which are exempt from reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Save as disclosed above, none of the Directors, controlling shareholders and their respective associates has any other conflict of interests with the Group during the Period.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms which are the same as the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company periodically issues notices to its Directors reminding them of the general prohibition on dealing in the Company's listed securities during the blackout periods before the publication of announcements of financial results. The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the required standards of dealings throughout the Period under review. The Company was not aware of any non-compliance in this respect during the Period.

CODE ON 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 during the Period, except paragraph A.6.7 of the Code. This announcement further illustrates in detail as to how the Code was applied, inclusive of the considered reasons for any deviation throughout the Period.

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. An executive Director, namely Mr. Zou Chen Dong, and two independent non-executive Directors, namely The Hon. Ip Kwok Him, *GMB, GBS, JP* and Mr. Kwok Man Wai, *SBS, IDS, JP*, did not attend the annual general meeting of the Company held on 18 July 2017 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.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established 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.

As at 30 September 2017, the members of the Audit Committee were Mr. Wong Chung Yip, Kenneth, The Hon. Ip Kwok Him, *GMB, GBS, JP,* Mr. Kwok Man Wai, *SBS, IDS, JP,* Mr. Wan Chi Keung, Aaron, *BBS, JP* and Mr. Jin Hai Tao. Mr. Wong Chung Yip, Kenneth was the chairman of the Audit Committee. The Audit Committee had reviewed the unaudited condensed consolidated results of the Group for the Period and is of the opinion that the preparation of such results complied with the applicable accounting standards and that adequate disclosures have been made.

DELAYS IN PUBLICATION OF INTERIM RESULTS AND DESPATCH OF INTERIM REPORT

As announced by the Company on 10 November 2017, the Company requires more time to finalise certain information for the publication of the announcement for the interim results (the "**Interim Results**") of the Group for the six months ended 30 September 2017. Pursuant to Rules 18.53 and 18.78 of the GEM Listing Rules, the Company is required to despatch the interim report for the six months ended 30 September 2017 (the "**Interim Report**") to its shareholders not later than 45 days after the date upon which the financial period ended (i.e. on or before 14 November 2017). Due to the delay in the publication of the Group's Interim Results announcement, the despatch of the Interim Report is delayed to such time after the publication of the announcement of the Interim Results. Hence, the delays in the publication of the announcement of the Interim Results and despatch of the Interim Report by the Company constituted a non-compliance with Rules 18.53 and 18.78 of the GEM Listing Rules.

The Company is currently working towards finalising the Interim Report for publication and it is anticipated that the Interim Report will be despatched on or around 15 December 2017.

* *For identification purpose only*

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

Hong Kong, 8 December 2017

As at the date of this announcement, the Directors are Dr. Jiang Yan[1] (Chairman), Dr. Li Yong Sheng[1] (Vice Chairman and Chief Executive Officer), Mr. Liu Da Yong[1], Mr. Zou Chen Dong[1], Mr. Kan Kwok Cheung[1], Ms Tang Li[2], The Hon. Ip Kwok Him, GMB, 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.