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 2018

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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

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This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this announcement misleading.

FINANCIAL HIGHLIGHTS

Consolidated Results

For the years ended 31 March

	Changes	**2018**	2017
		HK$'000	*HK$'000*
Revenue	-18.5%	**370,515**	454,447
Gross profit/(loss)	N/A	**32,515**	(19,110)
Loss before income tax	-54.7%	**(49,639)**	(109,637)
Loss for the year attributable to the owners of the Company	-56.2%	**(45,817)**	(104,527)
Basic loss per Share (HK cents)	-56.2%	**(1.13)**	(2.58)
Dividend per Share (HK cents)	N/A	**N/A**	N/A

Consolidated Financial Position

As at 31 March

	Changes	**2018**	2017
		HK$'000	*HK$'000*
Total assets	-14.5%	**287,130**	335,733
Cash and cash equivalents	-9.1%	**70,296**	77,324
Total liabilities	-4.3%	**418,426**	437,468
Equity attributable to the owners of the Company	-29.0%	**(131,296)**	(101,735)

Ratios

As at 31 March

	2018	2017
Return on equity *(Note a)*	**N/A**	N/A
Return on assets *(Note b)*	**-15.9%**	–31.1%
Current ratio *(Note c)*	**0.45 time**	0.50 time
Gearing ratio *(Note d)*	**102.1%**	85.5%

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 2018
"GEM"	the GEM of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Government"	the Government of Hong Kong
"Group"	the Company and its subsidiaries
"HK$" and "HK cent(s)"	Hong Kong dollar(s) and cent(s), respectively, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Macau"	the Macau Special Administrative Region of the PRC
"PRC"	the People's Republic of China, excluding Hong Kong, Macau and Taiwan
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended or otherwise modified from time to time
"Share(s)"	ordinary share(s) of the Company
"Share Option Scheme"	the share option scheme of the Company adopted on 11 August 2010
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"WSD"	Water Supplies Department (水務署) of the Government
"Xinhua TV Asia-Pacific"	Xinhua TV Asia-Pacific Operating Co., Limited (新華電視亞太台運營有限公司), a company incorporated in Hong Kong with limited liability on 22 December 2009 and an indirect wholly-owned subsidiary of the Company
"%"	per cent

The Board is pleased to present the audited consolidated results of the Group for the year ended 31 March 2018 together with the comparative figures for 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2018

	Notes	**2018** ***HK$'000***	2017 *HK$'000*
Revenue	*4*	**370,515**	454,447
Cost of services		**(338,000)**	(473,557)
Gross profit/(loss)		**32,515**	(19,110)
Other income	*5*	**4,093**	1,035
Other gains and losses	*6*	**268**	3,259
Amortisation expenses		**(19,734)**	(20,178)
Selling and distribution expenses		**(100)**	(377)
Administrative expenses		**(32,101)**	(33,130)
Change in fair value of financial assets at fair value through profit or loss		**(1,308)**	(3,452)
Loss from operations	*8*	**(16,367)**	(71,953)
Finance costs	*9*	**(33,331)**	(37,262)
Gain on disposal of subsidiaries		**114**	–
Impairment loss on trade receivables		**(55)**	(422)
Loss before income tax		**(49,639)**	(109,637)
Income tax	*10*	**3,822**	5,110
Loss for the year		**(45,817)**	(104,527)
Other comprehensive income/(loss)			
Items that may be classified subsequently to profit or loss			
Exchange differences on translating foreign operations		**2,958**	(1,839)
Other comprehensive income/(loss) for the year, net of income tax		**2,958**	(1,839)
Total comprehensive loss for the year		**(42,859)**	(106,366)
Loss for the year attributable to the owners of the Company		**(45,817)**	(104,527)
Total comprehensive loss for the year attributable to the owners of the Company		**(42,859)**	(106,366)
Loss per share attributable to the owners of the Company – Basic and diluted *(HK cents)*	*12*	**(1.13)**	(2.58)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2018

	Notes	As at 31 March 2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**41,277**	45,748
Intangible assets		**62,678**	80,994
Available-for-sale financial assets		**2,302**	–
		106,257	126,742
Current assets			
Film rights		**–**	–
Inventories		**–**	3,654
Trade and other receivables	*13*	**102,116**	119,737
Tax recoverable		**521**	407
Financial assets at fair value through profit or loss		**7,940**	7,869
Cash and cash equivalents		**70,296**	77,324
		180,873	208,991
Total assets		**287,130**	335,733
Current liabilities			
Trade and other payables	*14*	**89,546**	110,500
Finance lease payables		**2,413**	3,460
Employee benefits		**3,315**	3,486
Promissory note		**43,026**	44,124
Convertible notes		**247,511**	237,652
Current tax liabilities		**17,854**	15,915
		403,665	415,137
Net current liabilities		**(222,792)**	(206,146)
Total assets less current liabilities		**(116,535)**	(79,404)
Non-current liabilities			
Finance lease payables		**102**	1,815
Deferred tax liabilities		**14,659**	20,516
		14,761	22,331
Total liabilities		**418,426**	437,468
Net liabilities		**(131,296)**	(101,735)
Capital and reserves			
Share capital		**4,055**	4,055
Reserves		**(135,351)**	(105,790)
Total equity		**(131,296)**	(101,735)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2018

	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 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 and 1 April 2017	4,055	1,238,195	2,758	62,631	(3,074)	9,868	(1,416,168)	(101,735)
Loss for the year	–	–	–	–	–	–	(45,817)	(45,817)
Other comprehensive income for the year:								
Items that may be classified subsequently to profit or loss:								
Exchange differences on translating foreign operations	–	–	–	–	2,958	–	–	2,958
Total comprehensive loss for the year	–	–	–	–	2,958	–	(45,817)	(42,859)
Transfer to accumulated losses upon mature of convertible notes	–	–	–	(62,631)	–	–	62,631	–
Recognition of convertible notes equity reserves on extension of convertible notes	–	–	–	1,562	–	11,994	–	13,556
Deferred tax liability arising on extension of convertible notes	–	–	–	(258)	–	–	–	(258)
At 31 March 2018	**4,055**	**1,238,195**	**2,758**	**1,304**	**(116)**	**21,862**	**(1,399,354)**	**(131,296)**

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. 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.

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

In the current year, the Group has adopted 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 2017.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12 included in Annual Improvements to HKFRSs 2014-2016 Cycle	Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12

Except as described below, the application of the above amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in the Group's consolidated financial statements.

Amendments to HKAS 7 "Disclosure Initiative"

The amendments in Disclosure Initiative (Amendments to HKAS 7) come with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities by improving information about (i) changes in an entity's liabilities that relate to financing activities in the statement of cash flows; and (ii) the availability of cash and cash equivalents and restrictions affecting an entity's decisions to use the cash and cash equivalent balances (including foreign exchange controls or tax implications associated with cash repatriation).

The HKAS7 (Amendments) defines liabilities arising from financing activities as liabilities "for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities". It also stresses that the new disclosure requirements also relate to changes in financial assets if they meet the same definition.

The proposed amendments would require an entity to disclose the following changes in liabilities arising from financing activities (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining, or losing, control of subsidiaries or other businesses; and (iii) other non-cash changes (for example, the effect of changes in foreign exchange rates and changes in fair values).

The amendments state that one way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Also, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities.

Additional disclosure has been included in note to the consolidated financial statements, to satisfy the new disclosure requirements introduced by the amendments to HKAS 7.

Amendments to HKAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses"

The Group has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilize a deductible temporary difference.

The application of these amendments has had no impact on the Group's consolidated financial statements as the Group already assesses the sufficiency of future taxable profits in way that is consistent with these amendments.

Amendments to HKFRS12 included in Annual Improvements to HKFRSs 2014 – 2016 Cycle "Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS12"

The Group has applied the amendments to HKFRS 12 included in the Annual Improvements to HKFRSs 2014 – 2016 Cycle for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Group.

HKFRS 12 states that an entity need not provide summarized financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of HKFRS 12 for such interests.

The application of these amendments has had no effect on the Group's consolidated financial statements as none of the Group's interests in these entities are classified, or included in a disposal group that is classified, as held for sale.

New and revised 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:

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance contracts*[3]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements to HKFRSs 2014-2016 Cycle	*Amendments to HKFRS 1 and HKAS 28*[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*[2]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

3 Effective for annual periods beginning on or after 1 January 2021

4 No mandatory effective date yet determined but available for adoption

Except as mentioned below, the directors of the Company anticipate of the other new and amendments to HKFRSs and Interpretations will have no material impact on the consolidation financial statements.

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 which are relevant to the Group are:

- 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 that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair value at 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. However, 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 effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on the Group's financial instruments and risk management policies as at 31 March 2018, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement

Unlisted equity investments classified as available-for-sale investments carried at cost less impairment: these equity investments qualified for designation as measured at FVTOCI under HKFRS 9 and the Group will measure these equity investments at fair value at the end of subsequent reporting periods with fair value gains or losses to be recognised as other comprehensive income and accumulated in the available-for-sale investment revaluation reserve. Upon initial application of HKFRS 9, the fair value gains or losses relating to these securities would be adjusted to available-for-sale investment revaluation reserve at 1 April 2018.

The other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

Impairment

The directors of the Company also anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group. However, the directors of the Company do not anticipate that the application of the expected credit loss model of HKFRS9 will have material impact on the opening retained profits balance at 1 April 2018.

The directors of the Company 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.

Management is currently assessing the effects of applying the new standards on the Group's consolidated financial statements and has identified the application of IFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue generated from the provision of services. More detailed assessment will be carried out by the Group to estimate the impact of the new rules on the Group's consolidated financial statements. This new standard is mandatory for financial years commencing on or after 1 April 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 April 2018 and that comparatives will not be restated.

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 leases 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.

The Directors of the Company do not expect the adoption of HKFRS 16 would result in significant impact on the Group's financial performance, but it is expected that certain portion of the lease commitments will be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities. Further detail of operating lease commitments of the Group will be disclose in the Annual Report.

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 GEM 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, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its 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 of the Company have given careful consideration to the future liquidity of the Group notwithstanding that:

- The Group has incurred a net loss of approximately HK$45,817,000 during the year ended 31 March 2018 and, as of that date, the Group had net current liabilities and net liabilities of approximately HK$222,792,000 and HK$131,296,000 respectively; and

- The Group had promissory note of approximately HK$43,026,000 and convertible notes of approximately HK$247,511,000 which are due within the next twelve months after 31 March 2018.

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

(1) Financial support

China Xinhua NNC, one of the major shareholders of the Company and a convertible notes holder, has confirmed to provide financial support to the Group in a reasonable manner under relevant laws and regulatory requirements, to maintain the going concern of the Company. The financial support only refers to allow the Company to extend the repayment for the liabilities due to China Xinhua NNC to not earlier than 12 months commencing from 31 March 2018, 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$35,671,000 as of 31 March 2018; and (3) the liabilities due to China Xinhua NNC of approximately HK$14,330,000 as of 31 March 2018 in respect of annual fee for television broadcasting right, carriage fee payment and satellite transmission fee, if the repayment would cause the Company to be unable to settle its liabilities due to other parties when they fall due.

(2) Alternative source of funding

The Group is actively considering to raise new capital by carrying out fund raising activities including but not limited to rights issue, open offer and placing of new shares.

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

In the opinion of the directors of the Company, in light of the various measures/arrangements implemented after the end of the reporting period, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to remain a commercially viable concern. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the 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 2018 and 2017 were as follows:

	2018	2017
	HK$'000	*HK$'000*
Construction works	**369,420**	444,304
Advertising income*	**1,095**	10,143
	370,515	454,447

* *Publication income of approximately HK$129,000 (2017: approximately HK$169,000) was included in advertising income during the year ended 31 March 2018.*

5. OTHER INCOME

Other income recognised during the years ended 31 March 2018 and 2017 were as follows:

	2018	2017
	HK$'000	*HK$'000*
Interest income	**23**	359
Dividend income	**295**	162
Written-back of retention payables	**–**	508
Realised gain on financial assets at fair value through profit or loss	**3,770**	–
Sundry income	**5**	6
	4,093	1,035

6. OTHER GAINS AND LOSSES

Other gains and losses recognised during the years ended 31 March 2018 and 2017 were as follows:

	2018	2017
	HK$'000	*HK$'000*
Exchange (loss)/gain, net	**(2,195)**	1,580
Gain arising from extinguishment of promissory note	**2,320**	–
Net gains on disposal of property, plant and equipment	**143**	1,679
	268	3,259

7. SEGMENT INFORMATION

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

Under the segment structure implemented during the year ended 31 March 2018, information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provide are:

(i) Provision of civil engineering services – provision of waterworks engineering services, road works and drainage services and site formation works for public sector in Hong Kong; and

(ii) 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 2018

	Provision of civil engineering services *HK$'000*	**Television broadcasting business** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Revenue from external customers	**369,420**	**1,095**	**–**	**370,515**
Other income and gains	**191**	**–**	**–**	**191**
Reportable segment revenue	**369,611**	**1,095**	**–**	**370,706**
Reportable segment results	**27,280**	**(35,640)**		**(8,360)**
Unallocated corporate income				**6,527**
Unallocated corporate expenses				**(14,475)**
Finance costs				**(33,331)**
Loss before income tax				**(49,639)**

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)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the years ended 31 March 2018 and 2017.

Segment profit/loss respects 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, realised gain on financial assets at fair value through profit or loss, gain arising from extinguishment of promissory note, gain on disposal of subsidiaries and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

At 31 March 2018

	Provision of civil engineering services *HK$'000*	**Television broadcasting business** *HK$'000*	**Total** *HK$'000*
Segment assets	**135,349**	**65,267**	**200,616**
Unallocated			**86,514**
Consolidated assets			**287,130**
Segment liabilities	**38,900**	**16,772**	**55,672**
Unallocated			**362,754**
Consolidated liabilities			**418,426**

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

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.

Other segment information

For the year ended 31 March 2018

	Provision of civil engineering services *HK$'000*	**Television broadcasting business** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*
Additions to non-current assets	**16,198**	**7**	**–**	**16,205**
Depreciation of property, plant and equipment	**15,815**	**738**	**2,742**	**19,295**
Amortisation of film rights	**–**	**1,418**	**–**	**1,418**
Amortisation of intangible assets	**–**	**18,316**	**–**	**18,316**
Impairment loss on trade receivables	**–**	**55**	**–**	**55**
Net gains on disposal of property, plant and equipment	**(143)**	**–**	**–**	**(143)**
Change in fair value of financial assets at fair value through profit or loss	**–**	**–**	**1,308**	**1,308**
Gain on disposal of subsidiaries	**–**	**–**	**(114)**	**(114)**
Gain arising from extinguishment of promissory note	**–**	**–**	**(2,320)**	**(2,320)**

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)

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:

	2018	2017
	HK$'000	*HK$'000*
Construction works	**369,420**	444,304
Advertising income	**1,095**	10,143
	370,515	454,447

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:

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**369,518**	445,755
PRC	**997**	8,440
Overseas	**–**	252
	370,515	454,447

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

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**100,689**	121,047
PRC	**3,266**	5,695
	103,955	126,742

Information about major customers

Included in revenue arising from provision of civil engineering services of approximately HK$369,420,000 (2017: approximately HK$444,304,000) are revenue generated from four (2017: three) customers amounting to approximately HK$366,065,000 (2017: approximately HK$393,235,000) 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 2018 and 31 March 2017.

Revenue from major customers is as follows:

	2018	2017
	HK$'000	*HK$'000*
Customer A *(Note (i))*	**44,437**	–
Customer B	**100,568**	100,631
Customer C	**150,321**	209,857
Customer D	**70,739**	82,747
Others	**4,450**	61,212
	370,515	454,447

Note:

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

8. LOSS FROM OPERATIONS

Loss from operations has been arrived at after charging:

	2018	2017
	HK$'000	*HK$'000*
Contract costs recognised as expenses	**325,762**	460,940
Amortisation of film rights (included in amortisation expenses)	**1,418**	1,862
Amortisation of intangible assets (included in amortisation expenses)	**18,316**	18,316
Television broadcasting right fee and TV satellite fees (included in cost of services)	**8,647**	9,083
Other direct costs attributable to television broadcasting business (included in cost of service)	**1,585**	1,584
Other direct operating costs (included in cost of service)	**2,006**	1,950
Auditor's remuneration		
– Audit services	**700**	680
– Non-audit services	**–**	810
Depreciation of property, plant and equipment*	**19,295**	18,675
Staff costs	**101,721**	98,391
Realised gain on financial assets at fair value through profit or loss	**3,770**	–
Operating lease rentals in respect of rented premises	**14,757**	15,266

* *Depreciation of property, plant and equipment of approximately HK$15,093,000 (2017: approximately HK$14,577,000) and HK$2,006,000 (2017: approximately HK$1,950,000) have been separately expensed in contract costs recognised as expenses and cost of services respectively.*

9. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest on:		
Finance leases payables	**104**	261
Promissory note	**2,085**	3,129
Convertible notes	**31,142**	33,872
	33,331	37,262

10. INCOME TAX

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

	2018	2017
	HK$'000	*HK$'000*
Current tax – Hong Kong profits tax		
– tax for the year	**2,126**	427
– under-provision in respect of prior years	**167**	–
	2,293	427
Current tax – PRC Enterprise Income Tax		
– tax for the year	**–**	650
	2,293	1,077
Deferred tax		
– current year	**(6,115)**	(6,187)
Income tax credit	**(3,822)**	(5,110)

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for the years ended 31 March 2018 and 2017.

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

No provision for PRC Enterprise Income tax is made as the subsidiary incorporated in the PRC has no assessable profit arising in the PRC for the year ended 31 March 2018. The provision for PRC Enterprise Income tax had been calculated on the estimated assessable profits of the subsidiary incorporated in the PRC at 25% for the year ended 31 March 2017.

11. DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31 March 2018 (2017: Nil).

12. LOSS PER SHARE

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

	2018	2017
	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	**(45,817)**	(104,527)

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

Diluted loss per share for the years ended 31 March 2018 and 2017 are the same as the basic loss per share. The computation of diluted loss per share for the years ended 31 March 2018 and 31 March 2017 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

	2018	2017
	HK$'000	*HK$'000*
Trade receivables *(note (i), (iv))*	**42,810**	59,018
Allowance for doubtful debts *(note (ii))*	**(2,686)**	(2,660)
	40,124	56,358
Retention receivables *(note (iii))*	**16,199**	13,064
Other receivables and prepayments *(note (v))*	**41,924**	46,443
Deposits	**3,869**	3,872
	102,116	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.

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

	2018	2017
	HK$'000	*HK$'000*
Current or less than 1 month	**40,124**	56,305
1 to 3 months	**–**	4
More than 3 months but less than 12 months	**–**	18
More than 12 months	**–**	31
	40,124	56,358

The Group grants an average credit period of 30 days (2017: 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

	2018	2017
	HK$'000	*HK$'000*
Overdue by:		
31 – 60 days	**–**	4
91 – 120 days	**–**	2
More than 3 months but less than 12 months	**–**	16
More than 12 months	**–**	31
	–	53

(ii) Movements in the allowance for doubtful debts

	2018	2017
	HK$'000	*HK$'000*
Balance at the beginning of the year	**2,660**	2,238
Write-off	**(29)**	–
Impairment loss recognised on trade receivables	**55**	422
Balance at the end of the year	**2,686**	2,660

Impairment loss of approximately HK$55,000 (2017: approximately HK$422,000) was recognised in the consolidated statement of profit or loss and other comprehensive income during the year ended 31 March 2018 as the directors of the Company consider that the outstanding amount were not recoverable.

(iii) 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.

(iv) 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.

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

14. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**11,157**	39,128
Retention money payables	**14,020**	19,085
Amount due to a Shareholder *(note (i))*	**14,330**	11,337
Interest payables *(note (iii))*	**36,534**	27,945
Amount due to a related party *(note (ii))*	**2,009**	2,009
Other payables and accruals	**11,496**	10,996
	89,546	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.

(iii) Included in interest payables, convertible notes interest payables of approximately HK$35,671,000 was payable to China Xinhua NNC.

The Group normally settles trade payables within 30 days (2017: 30 days) credit term. Based on the invoice date, ageing analysis of trade payables at the end of the reporting period is as follows:

	2018	2017
	HK$'000	*HK$'000*
Current or less than 1 month	**10,325**	37,689
1 to 3 months	**661**	305
More than 3 months but less than 12 months	**171**	1,134
More than 12 months	**–**	–
	11,157	39,128

15. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, during the years ended 31 March 2018 and 31 March 2017, 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	2018	2017
		HK$'000	*HK$'000*
A company that Mr. Chia Kar Hin, Eric John ("Mr. Chia"), the former Director, had material interest	Service fee for announcement posting agreement	**3**	9
A company that the spouse of Mr. Chia had material interest	Legal and professional fee paid	**40**	62
China Xinhua NNC	Annual fee for television broadcasting right *(note (i))*	**3,000**	1,500
	Accrued interests on convertible notes *(note (ii))*	**7,727**	7,702

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 2018, the convertible notes interests payable to China Xinhua NNC were amount to approximately HK$7,727,000 (2017: approximately HK$7,702,000).

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

As at 31 March 2018 and 31 March 2017, 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.

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 2018:

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 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

MATERIAL UNCERTAINTY RELATING TO GOING CONCERN

We draw attention to Note 3(c) in the consolidated financial statements, which indicates that the Group incurred a net loss of HK$45,817,000 during the year ended 31 March 2018 and, as of that date, the Group had net current liabilities of approximately HK$222,792,000 and net liabilities of approximately HK$131,296,000. 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 Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is principally engaged in the provision of civil engineering services for the public sector in Hong Kong and television broadcasting business in the Asia-Pacific region (excluding the PRC) in return for advertising and related revenue. During the year ended 31 March 2018, 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 (excluding the PRC).

Provision of civil engineering services

During the year ended 31 March 2018, the Group has been undertaking three main contracts and nine subcontracts. Among the twelve contracts, four are related to provision of waterworks engineering services and the remaining contracts are related to provision of drainage services and site formation services. Details of the contracts undertaken are set out below:

Contract number	Particulars of contract	Client	Contract period under main contracts
Main contracts			
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	Jul 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/2015/03	Site Formation and Infrastructural Works near Tong Hang Road and Tsz Tin Road in Area 54, Tuen Mun	Hsin Chong Tsun Yip Joint Venture	Nov 2015 – May 2019
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
CV/2016/10	Site Formation and Association Infrastructural Works For Development of Columbarium at Sandy Ridge Cemetery	Hsin Chong Tsun Yip Joint Venture	Dec 2017 – Jun 2021

Total contract value
HK$2,008.8 million

Total amount of works certified *(Note)*
HK$1,635.1 million

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

Among the above twelve contracts, a subcontract (contract numbered CV/2016/10) was newly awarded while a main contract (contract numbered 8/WSD/11) and a subcontract (contract numbered 8/WSD/10) was completed during the year ended 31 March 2018.

During the year ended 31 March 2018, 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$222.6 million and HK$57.6 million, constituting approximately 60.1% and 15.5% of the Group's total revenue respectively.

Television broadcasting business

The television broadcasting business of the Group is still facing a lot of challenges in this year. The Group's revenue from television broadcasting business dropped due to the keen competition in the market and the change of viewing habits of the audience. Currently, the Group aims to produce the different documentary feature programmes and invest in different television dramas and films in the PRC in order to diversify the television broadcasting business by penetrating into different markets and catering the taste and preference of the different audiences. To this end, 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 year and received the award 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》was 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 the meantime, the Group will continue to optimize the marketing strategies for the television media resources and strengthen the synergies between different media platforms. In a view of giant opportunities presented in film and television market, the Group will attempt to establish a new business mix comprising film, television and new media contents. It is believed that the Group will be able to yield a better result in the near future.

The Group will continue to explore new investment opportunities with the aim to provide a stable income and growth to the Group's long term performance and enhance the returns to the shareholders of the Company.

Financial Review

Revenue

For the year ended 31 March 2018, the Group reported a revenue of approximately HK$370.5 million (2017: approximately HK$454.4 million), representing a decrease of approximately 18.5% as compared with that for the previous year. The revenue derived from provision of civil engineering services and television broadcasting business constituted approximately 99.7% and 0.3% 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. For the year ended 31 March 2018, the Group derived aggregate advertising revenue of approximately HK$1.1 million (2017: approximately HK$10.1 million) from television broadcasting business.

During the year ended 31 March 2018, 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			
	2018		2017	
	HK$'000	***% of total***	*HK$'000*	*% of total*
Main contractor	**59,470**	**16.1**	64,121	14.4
Subcontractor	**194,758**	**52.7**	242,013	54.5
Jointly controlled operations	**115,192**	**31.2**	138,170	31.1
Total	**369,420**	**100.0**	444,304	100.0

Cost of services

The Group's cost of services decreased by approximately 28.6% to approximately HK$338.0 million (2017: approximately HK$473.6 million) for the year ended 31 March 2018 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 displays screens. The decrease in cost of services was mainly due to decrease in costs of construction services. The decrease in costs of construction services was resulted from certain engineering projects (contract numbered DC/2012/04, DC/2012/07, DC/2012/08 and 5/WSD/13) reached maintenance stage and thus major costs consumed decreased. The following table sets out a breakdown of the Group's cost of services:

	For the year ended 31 March			
	2018		2017	
	HK$'000	***% of total***	*HK$'000*	*% of total*
Costs of construction services				
Raw materials	**39,545**	**11.7**	100,742	21.3
Direct labour	**87,096**	**25.8**	83,068	17.5
Subcontracting fee	**116,682**	**34.5**	177,600	37.5
Other direct costs	**82,439**	**24.4**	99,530	21.0
Subtotal	**325,762**	**96.4**	460,940	97.3
Costs of television broadcasting business				
Transmission costs	**2,500**	**0.7**	2,500	0.5
Broadcasting fee	**6,147**	**1.8**	6,583	1.4
Other direct costs attributable to television broadcasting business	**1,585**	**0.5**	1,584	0.4
Subtotal	**10,232**	**3.0**	10,667	2.3
Other direct operating costs	**2,006**	**0.6**	1,950	0.4
Subtotal	**2,006**	**0.6**	1,950	0.4
Total	**338,000**	**100.0**	473,557	100.0

Gross profit/(loss)

The gross profit for the Group for the year ended 31 March 2018 was approximately HK$32.5 million (2017: gross loss of approximately HK$19.1 million). The gross profit margin of the Group was approximately 8.8% (2017: gross loss margin of approximately 4.2%) for the year ended 31 March 2018. The increase in gross profit was mainly due to (i) certain construction projects which had commanded better gross profit during the year ended 31 March 2018 through cost control measures and (ii) certain engineering projects were completed and reached maintenance stage and thus the major construction costs and maintenance costs were decreased during the year.

Other income

The Group's other income for the year ended 31 March 2018 increase by approximately 3.0 times to approximately HK$4.1 million (2017: approximately HK$1.0 million) as compared with that for the previous year. The increase in other income was mainly due to the realised gain on financial assets at fair value through profit or loss recognised for the year.

Other gains and losses

The Group's other gains and losses for the year ended 31 March 2018 decreased by approximately 91.8% to approximately HK$0.3 million (2017: approximately HK$3.3 million) as compared with that for the previous year. Other gains and losses mainly consisted of gain arising from extinguishment of promissory note and net gains on disposal of property, plant and equipment outweighted by net exchange losses for the year.

Amortisation expenses

The Group's amortisation expenses for the year ended 31 March 2018 decreased by approximately 2.2% to approximately HK$19.7 million (2017: approximately HK$20.2 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 2018 decreased by approximately 73.5% to approximately HK$0.1 million (2017: approximately HK$0.4 million) 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 2018 decreased by approximately 3.1% to approximately HK$32.1 million (2017: approximately HK$33.1 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 administrative expenses was mainly due to decrease in legal and professional fee arising from and incurred in proposed acquisition in the previous year.

Finance costs

The Group's finance costs for the year ended 31 March 2018 decreased by approximately 10.5% to approximately HK$33.3 million (2017: approximately HK$37.3 million) as compared with that for the previous year. The finance costs mainly consist of interest expenses for the promissory note and convertible notes.

Assessment of recoverable amount of intangible assets

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

The recoverable amounts of Xinhua TV Asia-Pacific as at 31 March 2018 and 2017, 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 2018 and 2017, including but not limited to (i) the financial position of Xinhua TV Asia-Pacific and its subsidiaries as at 31 March 2018 and 2017; (ii) the total revenue derived from television broadcasting business; (iii) number of existing contracts and memorandum of understanding; and (iv) the market and industry condition. The recoverable amount of Xinhua TV Asia-Pacific has been determined on the basis of value in use calculation and is based on certain key assumptions. The value in use calculation is based on discounted cash flow projections prepared from financial budgets approved by the directors of the Company covering a 5-year period and a pre-tax discount rate of 29.13%. Cash flows beyond the 5-year period are extrapolated using a growth rate ranged from 0% to 10% for different countries and the growth rate does not exceed the average long-term growth rate for the industry. The discount rates used reflect specific risks to the segment. Other key assumptions for the value in use calculation related to the estimation of cash inflow and outflows include budgeted revenue and gross margin, such estimation is based on the past performance and management's expectations for the market development and possible business opportunities and synergy effect between television broadcasting business and redevelopment of ancient architectures by production of documentary and promotional video covering the redevelopment cover of ancient architectures in coming years as mentioned in "Management Discussion and Analysis" section.

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 2018. Therefore, no impairment loss was recognised during the year ended 31 March 2018. To the best of knowledge and belief of the Directors, there had not been any change of valuation methodology and basis of valuation as at 31 March 2018 and no other changes in circumstance and reasons giving rise to changes in valuation approach. All changes of inputs were made to reflect the recent development of television broadcasting business as compared to that expected in previous years.

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Net loss

The net loss attributable to the owners of the Company for the year ended 31 March 2018 decreased by 56.2% to approximately HK$45.8 million (2017: approximately HK$104.5 million) as compared with that for the previous year. The decrease in net loss was mainly resulted from better performance of provision of civil engineering services segment during the year.

Loss per Share

The basic loss per Share for the year ended 31 March 2018 was approximately HK1.13 cents (2017: approximately HK2.58 cents).

Prospects

The core business of our Group is still provision of civil engineering services business which represents 99.7% of revenue of the Group almost all of which was carried out in Hong Kong. In the meantime, the Group continues to devote efforts to further develop its television broadcasting business in order to generate synergies between different business segments and chart its long term corporate strategy and growth.

Provision of civil engineering services

The Group is facing tougher operating environment in respect of provision of civil engineering services business. Delay and prolongement of the tendering and the decision-making process for construction of government projects resulted in a slowdown in the infrastructure projects. Furthermore, fierce horizontal competition imposed immense pressure over the Group's operation. In spite of these challenges, the Group is of the view that the construction industry will resume steadily in the near future. The demand for construction works is still strong and there are numerous opportunities in the construction industry yet to be captured. Possessing with a synergistic business model, experienced management team and stable resources, the Group strives to maintain the sustainable level of revenue and continue to exercise control in overall cost so that shareholders' return can be maximized.

Despites of the current sluggish situation, the Group believes that the Group had a number of competitive strengths that differentiate the Group from the competitors and peers within the business sector. Also, the Group will actively identify and materialise healthy and feasible financial plans based on the progress of its construction projects, so as to further optimise the financial position and enhance the capital base of the Group. During the year ended 31 March 2018, the Group has successfully obtained a new subcontract of Site Formation and Association Infrastructural Works for Development of Columbarium at Sandy Ridge Cemetery (contract numbered CV/2016/10) with contract sum of approximately HK$280.9 million. Looking forward, the Group will carry on with its efforts to enhance the effectiveness of its construction business and bring reasonable returns through obtaining more works contracts by virtue of our rich construction experience.

Television broadcasting business

Facing keen competition as well as deteriorating market development, the Group continued to sustain larger pressure and challenges in this business segment which will create certain pressure to the Group's revenue and gross profit margins. However, the Group is still prudently confident about the outlook and the prospects of the advertisement and culture market in Hong Kong and the PRC.

The Group aims at co-operating with different partners and adopting different development strategies for generating synergies between different media platforms and hence establishing a sizeable business mix comprising film, television and other new media contents in order to achieve sustainable growth, develop new business models and bring satisfactory returns to shareholders of the Company. The Group will explore new and potential business opportunities such as the train media business as well as opportunities from the Belt and Road Initiative. On 23 February 2018, the Group entered into a contract of donation with Beijing Riyue Shanshui Ancient ArchitectureTechnology Research Co., Ltd.*（北京日月山水古建築技術研究有限公司）("Beijing Riyue") pursuant to which Beijing Riyue agreed to transfer to the Company 300 sets of Chinese ancient buildings which all have been demolished pending repair for potential redevelopment purpose (i.e. remains of Chinese ancient architectures) including over 2,000 pieces of building structures located in different areas in the PRC. In such connection, the Group, with the assistance of experts in the field of ancient architecture and Chinese culture, plans to actively encourage the redevelopment of Ancient Architectures in countries or regions covered by the Belt and Road Initiative and produce corresponding television programmes to promote the excellence of Chinese tradition and culture. On 4 June 2018, the Group entered into a service agreement pursuant to which the Group was commissioned by an independent third party to produce a documentary and promotional video ("Documentary Film") regarding, among other things, the redevelopment of one out of the 300 sets of the Ancient Architectures to cover the redevelopment process of the relevant set of Ancient Architectures, such as the laying of foundation and the completion of such redevelopment. Under the relevant service agreement, the sponsorship fees for the production of the Documentary Film amounted to RMB1 million for such set of Ancient Architectures. As such, the Group intends to explore similar business opportunities in respect of the remaining sets of the ancient architectures. The Group believes that the entering into the above-mentioned contract will generate synergies between different business segments to boost up the income stream of the Group. Looking forward, the Group endeavors to explore strategic alliances as well as investment opportunities to further develop its television broadcasting business with a view to enhancing and improving returns to our shareholders of the Company.

Looking forward, the Group will continue to closely evaluate the performance of the existing businesses and actively explore new businesses or identify suitable investments when they arise with an attempt to maximise the Company's value and shareholders' returns. The Group will consider possible fund raising opportunities which can strengthen the financial position of the Group in order to enhance the value of the Group which will be in the interests of the Company and shareholders as a whole.

Capital Structure

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

Total equity attributable to the owners of the Company amounted to approximately HK$131.3 million in deficit as at 31 March 2018 (31 March 2017: approximately HK$101.7 million). The decrease in equity was mainly resulted from net loss for the year.

Liquidity and Financial Resources

During the year ended 31 March 2018, the Group generally financed its operations through internally generated cash flows.

As at 31 March 2018, the Group had net current liabilities of approximately HK$222.8 million (31 March 2017: approximately HK$206.1 million), including cash balance of approximately HK$70.3 million (31 March 2017: approximately HK$77.3 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 0.45 as at 31 March 2018 (31 March 2017: approximately 0.5) which was approximated to that of the previous year.

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 102.1% as at 31 March 2018 (31 March 2017: approximately 85.5%). The increase in gearing ratio was primarily due to the decrease in total assets which was resulted from amortization of intangible assets.

Foreign Exchange Exposure

The group entities collect most of the revenue and incur most of the expenditures in their respective functional currencies. The Directors consider that the Group's exposure to foreign currency exchange risk is insignificant as the majority of the Group's transactions are denominated in the functional currency of each individual group entity. During the year ended 31 March 2018, the Group was mainly exposed to foreign currency exchange risk of Renminbi and the management mainly monitored the foreign currency exchange risk with advices from the Group's major banks.

Capital Commitment

As at 31 March 2018, the Group did not have any significant capital commitments (31 March 2017: nil).

Charges on the Group's Assets

The Group's motor vehicles and machineries with net book values as at 31 March 2018 amounted to approximately HK$4.7 million (2017: approximately HK$9.4 million) and approximately HK$0.7 million (2017: nil) was held under finance lease.

Contingent Liabilities

As at 31 March 2018, the Group did not have any material contingent liabilities (31 March 2017: Nil).

Information on Employees

As at 31 March 2018, the Group had 275 full-time staff in Hong Kong and over 90% of them are direct labour. Total staff costs (including Directors' remuneration) for the year ended 31 March 2018 amounted to approximately HK$101.7 million (2017: approximately HK$98.4 million), representing an increase of approximately 3.4% 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 trainings for its staff to strength their skills and knowledge.

Significant Investment Held

As at 31 March 2018, 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 year ended 31 March 2018 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 2018, the Group did not have other plans for material investments and capital assets.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the year ended 31 March 2018, 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 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 2 August 2018 to Wednesday, 8 August 2018, 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 Wednesday, 1 August 2018.

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 2018.

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 2018, 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 2018.

Paragraph A.2.7 of the Code provides that the chairman should at least annually hold meetings with the non-executive Director and independent non-executive Directors without the executive Directors present. Although the chairman did not hold a meeting with the non-executive Director and independent non-executive Directors during the year ended 31 March 2018, he delegated the company secretary to gather any concerns and/or questions that the non-executive Director 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. The then executive Director, namely Mr. Zou Chen Dong, and two the then 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 interface with, and answer questions from the shareholders. The then executive Director, namely Mr. Zou Chen Dong, and the then independent non-executive Director, namely Mr. Kwok Man Wai, *SBS, IDS, JP*, did not attend the extraordinary general meeting of the Company held on 6 February 2018 due to overseas commitment and pre-arranged business engagements. Other Board members and the chairmen of the relevant Board committees also attended the extraordinary general meeting to interface 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 2018 and up to the date of this announcement.

AUDIT COMMITTEE

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

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

The composition of the Audit Committee is as follows:

Independent non-executive Directors
Mr. Wong Chung Yip, Kenneth *(Chairman)*
Mr. Wu Guo Ming *(Appointed on 5 January 2018)*
Mr. Wan Chi Keung, Aaron, *BBS, JP*
The Hon. Ip Kwok Him, *GMB, GBS, JP (Resigned on 4 January 2018)*
Mr. Kwok Man Wai, *SBS, IDS, JP (Resigned on 18 February 2018)*
Mr. Jin Hai Tao *(Resigned on 21 December 2017)*

Non-executive Director
Ms. Tang Li *(Appointed on 5 January 2018)*
Mr. Law Cheuk Hung *(Appointed on 5 January 2018)*
Dr. Li Yong Sheng *(Resigned on 8 December 2017)*

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

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

* *For identification purpose only*

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

Hong Kong, 14 June 2018

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

[1] *Executive Director*
[2] *Non-executive Director*
[3] *Independent non-executive Director*

This announcement will remain on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for at least seven days from the day of its posting and the Company's website at http://www.cnctv.hk.