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 2018

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

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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 2018 decreased by approximately 35.6% to approximately HK$142.0 million (2017: approximately HK$220.5 million).

- Loss attributable to the owners of the Company for the six months ended 30 September 2018 increased by approximately 64.3% to approximately HK$39.5 million (2017: approximately HK$24.0 million).

- Basic loss per Share for the six months ended 30 September 2018 was approximately HK0.97 cent (2017: approximately HK0.59 cent).

- The Board does not recommend the payment of any dividend for the six months ended 30 September 2018.

The board of Directors (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 2018, together with the unaudited comparative figures for the corresponding periods in 2017, as follows:

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

For the three months and six months ended 30 September 2018

		Six months ended 30 September		**Three months ended 30 September**	
		2018	2017	**2018**	2017
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	*4*	**141,962**	220,498	**73,210**	100,798
Cost of services		**(143,186)**	(194,363)	**(76,395)**	(88,149)
Gross (loss)/profit		**(1,224)**	26,135	**(3,185)**	12,649
Other income	*5*	**206**	309	**103**	302
Other gains and losses	*6*	**1,276**	(1,002)	**604**	(850)
Amortisation expenses		**(9,461)**	(10,154)	**(4,704)**	(5,319)
Selling and distribution expenses		**–**	(100)	**–**	(100)
Administrative expenses		**(10,793)**	(21,964)	**(5,443)**	(7,822)
Changes in fair value of financial assets at fair value through profit or loss		**(8,088)**	(262)	**(4,740)**	(1,012)
Loss from operations	*8*	**(28,084)**	(7,038)	**(17,365)**	(2,152)
Finance costs	*10*	**(12,848)**	(19,308)	**(6,465)**	(9,341)
Loss before income tax		**(40,932)**	(26,346)	**(23,830)**	(11,493)
Income tax	*11*	**1,437**	2,308	**1,107**	161
Loss for the period		**(39,495)**	(24,038)	**(22,723)**	(11,332)

		Six months ended 30 September		Three months ended 30 September	
		2018	2017	**2018**	2017
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other comprehensive (loss)/income:					
Items that may be classified subsequently to profit or loss:					
Exchange differences on translating foreign operations		**(1,123)**	1,063	**(395)**	499
Items that will not be reclassified to profit or loss:					
Change in fair value of financial assets measured at fair value through other comprehensive income		**(700)**	–	**(700)**	–
Other comprehensive (loss)/income for the period, net of tax		**(1,823)**	1,063	**(1,095)**	499
Total comprehensive loss for the period		**(41,318)**	(22,975)	**(23,818)**	(10,833)
Loss for the period attributable to the owners of the Company		**(39,495)**	(24,038)	**(22,723)**	(11,332)
Total comprehensive loss for the period attributable to the owners of the Company		**(41,318)**	(22,975)	**(23,818)**	(10,833)
Loss per Share attributable to the owners of the Company	*13*				
– Basic and diluted *(HK cent)*		**(0.97)**	(0.59)	**(0.56)**	(0.28)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018

	Notes	As at 30 September 2018 (Unaudited) HK$'000	As at 31 March 2018 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	14	**46,190**	41,277
Intangible assets	15	**53,495**	62,678
Available-for-sale financial assets		**–**	2,302
Financial assets measured at fair value through other comprehensive income		**1,602**	–
		101,287	106,257
Current assets			
Film rights		**–**	–
Trade and other receivables	16	**85,025**	102,116
Contract assets	17	**2,600**	–
Tax recoverable		**822**	521
Financial assets at fair value through profit or loss		**5,155**	7,940
Cash and cash equivalents		**58,558**	70,296
		152,160	180,873
Total assets		**253,447**	287,130
Current liabilities			
Trade and other payables	18	**88,845**	89,546
Contract liabilities		**3,186**	–
Finance lease payables	19	**953**	2,413
Employee benefits		**3,315**	3,315
Promissory note	20	**44,390**	43,026
Convertible notes	21	**254,431**	247,511
Current tax liabilities		**17,991**	17,854
		413,111	403,665

	Notes	As at 30 September 2018 (Unaudited) *HK$'000*	As at 31 March 2018 (Audited) *HK$'000*
Net current liabilities		**(260,951)**	(222,792)
Total assets less current liabilities		**(159,664)**	(116,535)
Non-current liabilities			
Finance lease payables	*19*	**–**	102
Deferred tax liabilities		**12,950**	14,659
		12,950	14,761
Total liabilities		**426,061**	418,426
Net liabilities		**(172,614)**	(131,296)
Capital and reserves			
Share capital	*22*	**4,055**	4,055
Reserves		**(176,669)**	(135,351)
Total Equity		**(172,614)**	(131,296)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 September 2018

	Share capital *HK$'000*	Share premium* *HK$'000*	Capital reserves* *HK$'000*	Convertible notes equity reserves* *HK$'000*	Foreign currency translation reserves* *HK$'000*	Investment revaluation reserves* HK$'000	Other reserves* *HK$'000*	Accumulated losses* *HK$'000*	Total equity *HK$'000*
As at 1 April 2018	**4,055**	**1,238,195**	**2,758**	**1,304**	**(116)**	**–**	**21,862**	**(1,399,354)**	**(131,296)**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(39,495)**	**(39,495)**
Other comprehensive loss for the period:									
Items that may be classified subsequently to profit or loss:									
Exchange differences on translating foreign operations	**–**	**–**	**–**	**–**	**(1,123)**	**–**	**–**	**–**	**(1,123)**
Items that will not be reclassified to profit or loss:									
Change in fair value of financial assets measured at fair value through other comprehensive income	**–**	**–**	**–**	**–**	**–**	**(700)**	**–**	**–**	**(700)**
Total comprehensive loss for the period	**–**	**–**	**–**	**–**	**(1,123)**	**(700)**	**–**	**(39,495)**	**(41,318)**
As at 30 September 2018 (unaudited)	**4,055**	**1,238,195**	**2,758**	**1,304**	**(1,239)**	**(700)**	**21,862**	**(1,438,849)**	**(172,614)**
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)

* *The aggregate amount of these balances of approximately HK$176,669,000 in deficit (31 March 2018: approximately HK$135,351,000) 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 2018

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Net cash generated from operating activities	**5,321**	31,379
Investing activities		
Investment in available-for-sale financial assets	**–**	(2,302)
Purchase of property, plant and equipment	**(15,673)**	(1,622)
Other cash flows generated from/(used in) investing activities	**132**	(76)
Net cash used in investing activities	**(15,541)**	(4,000)
Net cash used in financing activities	**(1,582)**	(2,182)
Net (decrease)/increase in cash and cash equivalents	**(11,802)**	25,197
Cash and cash equivalents at the beginning of the period	**70,296**	77,324
Effects of foreign exchange rate changes	**64**	2,109
Cash and cash equivalents at the end of the period	**58,558**	104,630
Analysis of cash and cash equivalents		
Cash and bank balances	**58,558**	104,630

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

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, 27/F, 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 2018 (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 2018, except for those related to new standards and interpretations effective for the first time periods beginning on 1 April 2018 and expected to be reflected in the forthcoming annual financial statements as disclosed below.

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 an unaudited net loss of approximately HK$39,495,000 during the six months ended 30 September 2018 and, as of that date, the Group had unaudited net current liabilities and unaudited net liabilities of approximately HK$260,951,000 and HK$172,614,000 respectively; and

- The Group had promissory note in principal amount of approximately HK$45,040,000 and convertible notes in principal amount of approximately HK$257,030,000 which are due within the next twelve months after 30 September 2018.

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) Financial support

China Xinhua News Network Co., Limited ("China Xinhua NNC"), one of the major shareholders of the Company and a convertible notes holder, has confirmed to provide financial support to the Group in a reasonable manner under relevant laws and regulatory requirements, to maintain the going concern of the Company. The financial support only refers to allow the Company to extend the repayment for the liabilities due to China Xinhua NNC to not earlier than 12 months commencing from 30 September 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$39,537,000 as of 30 September 2018; and (3) the liabilities due to China Xinhua NNC of approximately HK$15,830,000 as of 30 September 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) Alternate 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, 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. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted new or revised standards, amendments to standards and interpretation of Hong Kong Financial Reporting Standards ("HKFRSs") which are effective for accounting periods commencing on or after 1 April 2018. Except for disclosed below, the adoption of other 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.

3.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current period. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue from the following major source:

- Construction income from provision of civil engineering services
- Advertising income

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 April 2018. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 April 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

3.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- 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, the Group 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.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation in the provision of civil engineering works is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Costs to fulfil a contract

The Group incurs costs to fulfil a contract in its construction contracts. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

3.1.2 Summary of effects arising from initial application of HKFRS 15

The following tables summarised the impact of adopting HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 September 2018. There was no material impact on the Group's condensed consolidated statement of profit or loss and other comprehensive income and condensed consolidated statement of cash flows for the six months ended 30 September 2018.

Impact on the items affected in the condensed consolidated statement of financial position as of 30 September 2018 (increase/(decrease)):

	As reported	Adjustments	Amounts without application of HKFRS 15
	HK$'000	*HK$'000*	*HK$'000*
Current assets			
Trade and other receivables *(Note (i))*	85,025	2,600	87,625
Contract assets *(Note (i))*	2,600	(2,600)	–
Current liabilities			
Trade and other payables *(Note (ii))*	88,845	3,186	92,031
Contract liabilities *(Note (ii))*	3,186	(3,186)	–

Notes:

(i) As at 1 April 2018 and 30 September 2018, the contract assets mainly consisted of unbilled revenue arising from the construction contracts that are conditional on issuance of certificates of payment. Prior to application of HKFRS 15, unbilled revenue of approximately HK$2,600,000 at 30 September 2018 was included in trade and other receivables. Such amount was reclassified to contract assets upon application of HKFRS 15.

(ii) Under HKFRS 15, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. Prior to application to HKFRS 15, deferred revenue of approximately HK$3,186,000 as at 30 September 2018 was included in trade and other payables. Such amount was reclassified to contract liabilities upon application of HKFRS 15.

3.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments"

HKFRS 9 replaces HKAS 39 Financial instruments: recognition and measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, new rules for hedge accounting and a new impairment model for financial assets. HKFRS 9 is effective for annual periods beginning on or after 1 April 2018 on a retrospective basis. The Group adopts the new standard on the required effective date and does not restate comparative information. Any adjustments to the carrying amount of the financial assets and liabilities at the date of transition were recognised in the opening accumulated losses of the current period.

The principal effects resulting from the application of HKFRS 9 on the Group's assets or liabilities are summarised below:

Classification and measurement of financial assets and financial liabilities

HKFRS 9 "Financial Instruments" introduces a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics, and the new requirements on the accounting for financial liabilities that are designated at fair value through profit or loss.

Upon the adoption of HKFRS 9, the Group elected to classify all equity investments of the Group which were previously classified as available-for-sale financial assets ("AFS Financial Assets") into financial assets measured at fair value through other comprehensive income ("FVTOCI Financial Assets") because these investments have been held as long-term strategic investments that are not expected to be sold in the short term at 1 April 2018.

Impairment of financial assets

HKFRS 9 replaces the "incurred loss" impairment model in HKAS 39 with a forward-looking "expected credit loss" model. The Group applies simplified approach to recognise lifetime expected losses for all trade and other receivables. The credit losses calculated pursuant to the new requirements are not significantly different from the amount recognised under the current practices. Therefore, the Group considered no adjustment is necessary.

4. REVENUE

Revenue recognised during the three months and six months ended 30 September 2018 and 30 September 2017 were as follows:

	Six months ended 30 September		Three months ended 30 September	
	2018	2017	**2018**	2017
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Construction works	**141,962**	219,444	**73,210**	100,754
Advertising income*	**–**	1,054	**–**	44
	141,962	220,498	**73,210**	100,798

	Six months ended 30 September 2018	Three months ended 30 September 2018
	(Unaudited)	**(Unaudited)**
	HK$'000	***HK$'000***
Timing of revenue recognition:		
Over time	**141,962**	**73,210**

* *Publication income of HK$Nil and HK$Nil (three months ended 30 September 2017: approximately HK$37,000 and six months ended 30 September 2017: approximately HK$45,000) was included in advertising income during the three months and six months ended 30 September 2018.*

5. OTHER INCOME

Other income recognised during the three months and six months ended 30 September 2018 and 30 September 2017 were as follows:

	Six months ended 30 September		Three months ended 30 September	
	2018	2017	**2018**	2017
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Interest income	**14**	12	**7**	5
Dividend income	**183**	292	**95**	292
Sundry income	**9**	5	**1**	5
	206	309	**103**	302

6. OTHER GAINS AND LOSSES

Other gains and losses recognised during the three months and six months ended 30 September 2018 and 30 September 2017 were as follows:

	Six months ended 30 September		**Three months ended 30 September**	
	2018	2017	**2018**	2017
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Exchange gain/(loss), net	**1,188**	(1,049)	**516**	(507)
Net gains/(losses) on disposal of property, plant and equipment	**88**	47	**88**	(343)
	1,276	(1,002)	**604**	(850)

7. SEGMENT INFORMATION

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

Under the segment structure implemented during the six months ended 30 September 2018, 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 2018

	Provision of civil engineering services (Unaudited) *HK$'000*	**Television broadcasting business (Unaudited)** *HK$'000*	**Total (Unaudited)** *HK$'000*
Revenue from external customers	**141,962**	**–**	**141,962**
Other income and gains	**97**	**–**	**97**
Reportable segment revenue	**142,059**	**–**	**142,059**
Reportable segment results	**37**	**(14,040)**	**(14,003)**
Unallocated corporate income			**1,397**
Unallocated corporate expenses			**(15,478)**
Finance costs			**(12,848)**
Loss before income tax			**(40,932)**

For the six months ended 30 September 2017

	Provision of civil engineering services (Unaudited) *HK$'000*	Television broadcasting business (Unaudited) *HK$'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)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the six months ended 30 September 2018 and 30 September 2017.

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 2018 (Unaudited)

	Provision of civil engineering services	**Television broadcasting business**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Segment assets	**125,747**	**56,991**	**182,738**
Unallocated			**70,709**
Consolidated assets			**253,447**
Segment liabilities	**31,932**	**19,900**	**51,832**
Unallocated			**374,229**
Consolidated liabilities			**426,061**

As at 31 March 2018 (Audited)

	Provision of civil engineering services	Television broadcasting business	Total
	HK$'000	*HK$'000*	*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

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 measured at fair value through other comprehensive income, 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 2018, included in revenue arising from provision of civil engineering services of approximately HK$141,962,000 (2017: approximately HK$219,444,000) are revenue generated from three (2017: three) customers amounting to approximately HK$131,620,000 (2017: approximately HK$196,802,000). 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 2018 and 30 September 2017.

Revenue from major customers is as follows:

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Customer A	**55,260**	100,465
Customer B	**29,495**	35,838
Customer C	**46,865**	60,499
	131,620	196,802

8. LOSS FROM OPERATIONS

Loss from operations is arrived at after charging the following:

	Six months ended 30 September		Three months ended 30 September	
	2018	2017	**2018**	2017
	(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)	**278**	971	**87**	702
Contract costs recognised as expense	**137,663**	188,880	**73,942**	85,701
Depreciation of property, plant and equipment	**10,636**	9,135	**5,645**	4,485
Staff costs *(note 9)*	**42,534**	56,277	**20,534**	24,344

9. STAFF COSTS

	Six months ended 30 September		Three months ended 30 September	
	2018	2017	**2018**	2017
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Staff costs (including Directors' remuneration) comprise:				
Wages, salaries and other benefits	**42,097**	55,224	**20,271**	24,076
Contribution to defined contribution retirement plan	**437**	1,053	**263**	268
	42,534	56,277	**20,534**	24,344

10. FINANCE COSTS

	Six months ended 30 September		Three months ended 30 September	
	2018	2017	**2018**	2017
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Interests on:				
Finance leases payables	**20**	67	**8**	29
Promissory note *(note 20)*	**2,042**	916	**1,034**	99
Convertible notes *(note 21)*	**10,786**	18,325	**5,423**	9,213
	12,848	19,308	**6,465**	9,341

11. 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	
	2018	2017	**2018**	2017
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current tax – Hong Kong profits tax				
– current period	**–**	2,723	**(54)**	2,809
– over-provision in prior years	**(162)**	–	**(162)**	–
Current tax – PRC Enterprise Income tax				
– under-provision in prior years	**434**	–	**–**	–
Deferred tax				
– current period	**(1,709)**	(5,031)	**(891)**	(2,970)
Income tax	**(1,437)**	(2,308)	**(1,107)**	(161)

Hong Kong profits tax is calculated at 16.5% (2017: 16.5%) on the estimated assessable profits during each of the three months and six months ended 30 September 2018 and 30 September 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 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 2018 and 30 September 2017.

12. DIVIDENDS

The Board does not recommend the payment of any dividend for each of the three months and six months ended 30 September 2018 respectively (2017: nil).

13. LOSS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The calculations of basic loss per Share for the three months and six months ended 30 September 2018 is based on the unaudited consolidated loss of approximately HK$22,723,000 and approximately HK$39,495,000 attributable to the owners of the Company for each of the three months and six months ended 30 September 2018 respectively (three months and six months ended 30 September 2017: approximately HK$11,332,000 and approximately HK$24,038,000 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 2018 respectively (weighted average number of Shares in issue for the three months and six months ended 30 September 2017: 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 2018 and 30 September 2017 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 2018 and 30 September 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.

14. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2018, the Group acquired items of property, plant and equipment with aggregate cost of approximately HK$15,673,000 (six months ended 30 September 2017: approximately HK$1,622,000). During the six months ended 30 September 2018, items of property, plant and equipment with carrying value of approximately HK$125,000 were disposed of (six months ended 30 September 2017: approximately HK$543,000).

15. INTANGIBLE ASSETS

	As at 30 September 2018 (Unaudited) *HK$'000*	As at 31 March 2018 (Audited) *HK$'000*
Cost:		
At 1 April 2017, 31 March 2018, 1 April 2018 and 30 September 2018	**567,000**	567,000
Accumulated amortisation and impairment:		
At the beginning of period/year	**504,322**	486,006
Amortisation expenses for the period/year	**9,183**	18,316
At the end of period/year	**513,505**	504,322
Carrying amount at the end of period/year	**53,495**	62,678

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

16. TRADE AND OTHER RECEIVABLES

	As at 30 September 2018 (Unaudited) *HK$'000*	As at 31 March 2018 (Audited) *HK$'000*
Trade receivables *(note (i) & (iii))*	**26,453**	42,810
Allowance for doubtful debts	**(2,686)**	(2,686)
	23,767	40,124
Retention receivables *(note (ii) and (iii))*	**14,964**	16,199
Other receivables and prepayments *(note (iv))*	**42,292**	41,924
Deposits	**4,002**	3,869
	85,025	102,116

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 2018 (Unaudited)	As at 31 March 2018 (Audited)
	HK$'000	*HK$'000*
Current or less than 1 month	**23,767**	40,124

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 (net of impairment loss) disclosed above are neither past due nor impaired at the end of the reporting period because there has not been a significant change in credit quality and the amounts are still considered recoverable.

Movements in the allowance for doubtful debts

	As at 30 September 2018 (Unaudited)	As at 31 March 2018 (Audited)
	HK$'000	*HK$'000*
Balance at the beginning of the period/year	**2,686**	2,660
Write-off	**–**	(29)
Impairment loss recognised on trade receivables	**–**	55
Balance at the end of the period/year	**2,686**	2,686

No impairment loss was recognised in the unaudited condensed consolidated statement of profit or loss and other comprehensive income during the six months ended 30 September 2018. Impairment loss of approximately HK$55,000 was recognised in the consolidated statement of profit or loss and other comprehensive income during the year ended 31 March 2018 as the Directors 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.

17. CONTRACT ASSETS

	As at 30 September 2018 (Unaudited)	As at 31 March 2018 (Audited)
	HK$'000	*HK$'000*
Unbilled revenue *(Note (i))*	**2,600**	–

Notes:

(i) Unbilled revenue included in contract assets represents the Group's right to receive consideration for work completed and not yet billed because the rights are conditional upon the satisfaction by the customers on the construction work completed by the Group and the work is pending for the certification by the customers. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the time the Group obtains the certification of the completed construction work from the customers.

18. TRADE AND OTHER PAYABLES

	As at 30 September 2018 (Unaudited) *HK$'000*	As at 31 March 2018 (Audited) *HK$'000*
Trade payables	**10,594**	11,157
Retention money payables	**9,820**	14,020
Amount due to a shareholder *(note (i))*	**15,830**	14,330
Interest payables *(note (ii))*	**41,077**	36,534
Amount due to a related party *(note (iii))*	**2,009**	2,009
Other payables and accruals	**9,515**	11,496
	88,845	89,546

Notes:

(i) Amount due to a shareholder represents amount due to a major substantial shareholder, China Xinhua News Network Co., Limited ("China Xinhua NNC"), which is unsecured, interest-free and repayable on demand.

(ii) Included in interest payables, convertible notes interest payable of approximately HK$39,537,000 (31 March 2018: approximately HK$35,671,000) was payable to China Xinhua NNC.

(iii) 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 2018 (Unaudited) *HK$'000*	As at 31 March 2018 (Audited) *HK$'000*
Current or less than 1 month	**9,786**	10,325
1 to 3 months	**94**	661
More than 3 months but less than 12 months	**714**	171
	10,594	11,157

19. FINANCE LEASE PAYABLES

The Group leases a number of its motor vehicles and machineries. 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 2018		
	Minimum lease payments (Unaudited) ***HK$'000***	**Future finance charges (Unaudited)** ***HK$'000***	**Present Value of minimum lease payments (Unaudited)** ***HK$'000***
Within one year	**959**	**6**	**953**
In more than one year and not more than five years	**–**	**–**	**–**
	959	**6**	**953**
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(953)**
Amount due for settlement after 12 months			**–**

	As at 31 March 2018		
	Minimum lease payments (Audited) *HK$'000*	Future finance charges (Audited) *HK$'000*	Present Value of minimum lease payments (Audited) *HK$'000*
Within one year	2,439	26	2,413
In more than one year and not more than five years	102	–	102
	2,541	26	2,515
Less: Amount due for settlement within 12 months (shown under current liabilities)			(2,413)
Amount due for settlement after 12 months			102

20. 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 is 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 will redeem the promissory note on its maturity date.

On 11 August 2014 (the "First Renewal Date"), Profit Station has entered into the first 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. Furthermore, the noteholder has agreed to waive the interest accrued on the promissory note amounting to approximately HK$4,054,000 for the period from 11 August 2011 to 11 August 2014. Except the abovementioned, other terms and conditions of the promissory note remains unchanged.

On 15 December 2017 (the "Second Renewal Date"), Profit Station has entered into the second extension agreement with the noteholder of the promissory note pursuant to which the maturity date of the promissory note was extended from 11 August 2017 to 31 December 2018 and the extended promissory note will bear interest of 3% per annum with effect from 11 August 2017 till 31 December 2018. Except the abovementioned, other terms and conditions of the promissory note remains unchanged.

Upon the second extension, the fair value of the liability component of the extended promissory note was reassessed and calculated using an equivalent market interest rate for an equivalent instrument at the Second Renewal Date. The fair value of the extended promissory note at the Second Renewal Date amounted to approximately HK$42,720,000. The fair value is calculated using discounted cash flow method at a rate of 9.393%.

	As at 30 September 2018 (Unaudited) ***HK$'000***	As at 31 March 2018 (Audited) *HK$'000*
Balance at the beginning of the reporting period/year	**43,026**	44,124
Interest charged at effective interest rate of 7.423%	**–**	916
Gain arising on extinguishment of promissory note	**–**	(2,320)
Interest charged at effective interest rate of 9.393%	**2,042**	1,169
Interest payables	**(678)**	(863)
Balance at the end of the reporting period/year	**44,390**	43,026

21. 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 first supplemental deed with China Xinhua NNC, the sole holder of the outstanding convertible notes, 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. Except the abovementioned, other terms and conditions of the convertible notes remain unchanged.

On 13 December 2017, the Company entered into the second supplemental deed with China Xinhua NNC, the sole holder of the outstanding convertible notes, pursuant to which the Company and China Xinhua NNC agreed to amend the term and condition of the convertible notes, where the maturity date of the convertible notes will be extended for 1 year and the conversion period will accordingly be extended for 1 year to 9 December 2018. Except the abovementioned, other terms and conditions of the convertible notes remain unchanged.

The convertible notes contain two components, liability component and equity component. The equity component is presented in equity heading "convertible notes equity reserves" and "other reserves". The effective interest rate of the liability component is 15.98% from 9 December 2014 to 9 December 2017 and 8.84% from 9 December 2017 to 9 December 2018 respectively.

	As at 30 September 2018 (Unaudited) ***HK$'000***	As at 31 March 2018 (Audited) *HK$'000*
Equity component		
At the beginning of the reporting period/year	**1,304**	62,631
Transfer to accumulated losses upon mature of convertible notes	**–**	(62,631)
Recognition of equity component on extension of convertible notes	**–**	1,562
Deferred tax liability arising on extension of convertible notes	**–**	(258)
Balance at the end of the reporting period/year	**1,304**	1,304

	As at 30 September 2018 (Unaudited) *HK$'000*	As at 31 March 2018 (Audited) *HK$'000*
Liability component		
At the beginning of the reporting period/year	**247,511**	237,652
Interest charged calculated at an effective interest rate of 15.98%	**–**	24,718
Interest payable before second extension of convertible notes	**–**	(5,340)
Recognition of equity component on second extension of convertible notes	**–**	(1,562)
Capital contribution arised from second extension of convertible notes	**–**	(11,994)
Interest charged calculated at an effective interest rate of 8.84%	**10,786**	6,424
Interest payable after second extension of convertible notes	**(3,866)**	(2,387)
Balance at the end of the reporting period/year	**254,431**	247,511

22. SHARE CAPITAL

Ordinary shares of HK$0.001 each

	Number of Shares	Nominal value *HK$'000*
Authorised:		
As at 1 April 2018 and 30 September 2018 (unaudited)	500,000,000,000	500,000
Issued and fully paid:		
As at 1 April 2018 and 30 September 2018 (Unaudited)	4,055,349,947	4,055

23. OPERATING LEASE COMMITMENTS

The Group as leasee

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Minimum lease payments paid under operating leases during the period	**7,188**	7,456

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 2018	As at 31 March 2018
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Within one year	**11,445**	13,158
In the second to fifth years inclusive	**9,252**	13,722
	20,697	26,880

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.

24. MATERIAL RELATED PARTY TRANSACTIONS

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

Related party relationship	Type of transaction	Transaction amount			
		Six months ended 30 September		Three months ended 30 September	
		2018	2017	**2018**	2017
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
A company that Mr. Chia Kar Hin, Eric John ("Mr. Chia"), the then non-executive Director, had material interest	Service fee for announcement posting agreement	**–**	5	**–**	3
A company that the spouse of Mr. Chia had material interest	Legal and professional fee paid	**–**	37	**–**	15
China Xinhua NNC	Annual fee for television broadcasting right *(note (i))*	**1,500**	1,500	**750**	750
	Accrued interests on convertible notes *(note (ii))*	**3,866**	3,866	**1,944**	1,944

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 2018, the convertible notes interest payable to China Xinhua NNC was amounted to approximately HK$3,866,000 (six months ended 30 September 2017: approximately HK$3,866,000).

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 19.

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.

25. 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 2018 (Unaudited)			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Financial assets at fair value through profit or loss	**5,155**	**–**	**–**	**5,155**

	As at 31 March 2018 (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	7,940	–	–	7,940

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 2018 (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 two main contracts and eight subcontracts. Among the ten contracts, two 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**
Main contracts	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	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
	CV/2016/10	Site Formation and Association Infrastructural Works For Development of Columbarium at Sandy Ridge Cemetery

During the Period, the two contracts with contracts numbered CV/2015/03 and CV/2016/10 were the main contributors to the Group's revenue and all of the Group's revenue were derived from provision of civil engineering services.

Television broadcasting business

With the rapid growth of the new media, such as internet and mobile web, this development has posed serious challenges to the traditional television business. Despites this, the Group is well-positioned and differentiated itself from competitors by leveraging on brand name of Xinhua News Agency as well as the built-up of market influence of the Group. During the Period, by capturing the opportunities arising from the "Belt and Road" initiative, the Group aimed at co-operating with different investors of redevelopment of ancient architectures to produce documentary and promotional video to cover the redevelopment process of such redevelopment so as to boost up the development of television broadcasting business. The Group intends to explore similar and potential business opportunities so as to generate synergies between different segments and broaden the income stream. The Group will continue to identify potential investors and will review the business strategy of this segment to optimize the financial resources of the Group.

The Group will closely monitor the performance of different business segments and adjust its strategy as and when appropriate. In order to broaden its income sources, the Group will continue to diversify its business segments. Going forward, the Group will keep abreast and seize business opportunities to enhance the financial condition and business performance of the Group. With a view to strengthen its business portfolio, the Group will continue to identify other investment opportunities when they may arise with an attempt to maximise returns for the shareholders of the Company.

Financial Review

Revenue

For the Period, the Group reported a revenue of approximately HK$142.0 million (2017: approximately HK$220.5 million), representing a decrease of approximately 35.6% as compared with that for the same period of the previous year. All of the Group's revenue were derived from provision of civil engineering services during the Period. The decrease in revenue was mainly due to decrease in work from certain civil engineering projects reaching the maintenance stage or nearly completion stage for the Period. The Group derived aggregate advertising revenue of approximately HK$nil million (2017: approximately HK$1.0 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$110.3 million (2017: approximately HK$119.8 million), representing approximately 77.7% (2017: approximately 54.3%) 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$31.7 million (2017: approximately HK$99.7 million), representing approximately 22.3% (2017: approximately 45.2%) of the total revenue for the Period.

Cost of services

The Group's cost of services for the Period decreased by approximately 26.3% to approximately HK$143.2 million (2017: approximately HK$194.4 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 (loss)/profit

The gross loss of the Group for the Period was amounted to approximately HK$1.2 million (2017: gross profit of approximately HK$26.1 million) as compared with that for the same period of the previous year. The gross loss margin of the Group was amounted to approximately 0.9% for the Period (2017: gross profit margin of approximately 11.9%). The decrease in gross profit was mainly due to the decrease in work from certain civil engineering projects reaching the maintenance stage or nearly completion stage and thus marginal profits were decreased for the Period.

Other income

The Group's other income for the Period decreased by 33.3% to approximately HK$0.2 million (2017: approximately HK$0.3 million) as compared with that for the same period of the previous year. The other income mainly consisted of cash dividend received from investment in financial assets at fair value through profit or loss during the Period.

Other gains and losses

The Group's other gains and losses for the Period amounted to approximately HK$1.3 million in surplus (2017: approximately HK$1.0 million in deficit). Other gains and losses mainly consisted of net gain on foreign exchange difference and net gains on disposal of property, plant and equipment for the Period.

Amortisation expenses

The Group's amortisation expenses for the Period decreased by approximately 6.8% to approximately HK$9.5 million (2017: approximately HK$10.2 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

No selling and distribution expenses were incurred for the Period. The selling and distribution expenses of approximately HK$0.1 million mainly consisted of advertising expenses for the television broadcasting business for the six months ended 30 September 2017.

Administrative expenses

The Group's administrative expenses for the Period decreased by approximately 50.9% to approximately HK$10.8 million (2017: approximately HK$22.0 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 decrease in administrative expenses was mainly due to the delay of payment of year end bonus of the year before in respect of provision of civil engineering services business in the same period of the previous year.

Finance costs

The Group's finance costs for the Period decreased by approximately 33.5% to approximately HK$12.8 million (2017: approximately HK$19.3 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 the owners of the Company for the Period increased by 64.3% to approximately HK$39.5 million (2017: approximately HK$24.0 million) as compared with that for the same period of the previous year. The increase in net loss was mainly due to decrease in gross profit and fair value loss of financial assets at fair value through profit or loss during the Period.

Loss per Share

The basic loss per Share was approximately HK0.97 cent (2017: approximately HK0.59 cent).

Prospects

The Group anticipates that it is still a challenging year for forthcoming year. The provision of civil engineering service business will continue to provide a stable source of revenue and remains the major contributor to revenue while the Group will continue to develop the television broadcasting business. The Group will continue to cautiously monitor the business environment and strength the competitiveness in the market.

Provision of civil engineering services

Despite the fact that Hong Kong construction market will remain challenging with rising trend in subcontracting costs and intensive competition, the Group still remains prudently optimistic about the prospects of the construction industry in Hong Kong. In recent years, Hong Kong Government's continuing increase in major construction and infrastructure projects will definitely increase the demand for construction business. Also, leveraging on the Group's registered license and certain crucial qualifications, the Group is confident that the Group is able to tender new projects with customers from both public and private sectors in order to maintain and increase the market share in Hong Kong.

Faced with current market situation and difficulties, the Group will strengthen its market position in the industry and increase its market shares by adjusting the tendering strategies by lowering the bidding prices for new contracts and strengthening the Group's manpower in order to cater the growing demand for the businesses of the Group. Looking ahead, the Group expected that the rising trend in direct construction costs as well as intense competition in the market will have potential negative impact and increase pressure on the profit margin of the Group. The Group believed that the above-mentioned strategic initiatives will enable the Group to broaden the income stream and maintain the growth of the Group.

Television broadcasting business

New technologies and intense competition created a negative impact on advertising revenue and thus the Group continued to sustain larger pressure and challenges in traditional television broadcasting business. Under the current circumstances, the Group aims to open up potential business opportunities by co-operating with different partners and adopting different development strategies for generating synergies between different segments and media platforms. Along with the "Belt and Road' Initiative, it will open up new opportunities to the television broadcasting business of the Group. The Group will seize these opportunities to diversify revenue sources and generate the potential synergies internally and externally.

Looking ahead, the Group keeps reviewing on its business segments to determine future directions. The Group continued to remain cost conscious through stringent cost control measures in order to improve performance of the Group. The Group will proactively seek business opportunities that will contribute and sustain the Group's future development on generating better return to 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 the owners of the Company amounted to approximately HK$172.6 million in deficit as at 30 September 2018 (31 March 2018: approximately HK$131.3 million). 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 2018, the Group had net current liabilities of approximately HK$261.0 million (31 March 2018: approximately HK$222.8 million), including cash balance of approximately HK$58.6 million (31 March 2018: approximately HK$70.3 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 0.37 as at 30 September 2018 (31 March 2018: approximately 0.45).

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 118.3% as at 30 September 2018 (31 March 2018: approximately 102.1%). The increase in gearing ratio was resulted from 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 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 2018, the Group did not have any significant outstanding commitment (31 March 2018: Nil).

Charges on the Group's Assets

The Group's motor vehicles and machineries with net book values of approximately HK$2.1 million (31 March 2018: approximately HK$4.7 million) and approximately HK$0.6 million (31 March 2018: approximately HK$0.7 million) was held under finance lease as at 30 September 2018.

Contingent Liabilities

As at 30 September 2018, the Group did not have any material contingent liabilities (31 March 2018: Nil).

Dividends

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

Information on Employees

As at 30 September 2018, the Group had 267 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$42.5 million (2017: approximately HK$56.3 million), representing a decrease of approximately 24.5% 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 2018, the Group held 20% equity interest in the issued share capital of unlisted equity securities in the PRC 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 2018, the Group did not have other plans for material investments and capital assets (31 March 2018: 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 2018, 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%

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 2018, 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 2018, 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, 6 January 2015 and 17 January 2018.

(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 2018, 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 2018 and 12 May 2017, 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 2018 and 1 July 2017 respectively. HKLC is a company incorporated in Hong Kong and is wholly and beneficially owned by Mr. Chia Kar Hin, Eric John which was the director of the Company within the past twelve months. 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. A non-executive Director, namely Ms. Tang Li, did not attend the annual general meeting of the Company held on 8 August 2018 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 2018, the members of the Audit Committee were Mr. Wong Chung Yip, Kenneth, Ms. Tang Li, Mr. Law Cheuk Hung, Mr. Wu Guo Ming and Mr. Wan Chi Keung, Aaron, *BBS, JP*. 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.

* *For identification purpose only*

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

Hong Kong, 7 November 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.