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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2019

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

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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (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 nine months ended 31 December 2019 decreased by approximately 33.1% to approximately HK$160.9 million (2018: approximately HK$240.6 million).

- Loss attributable to the owners of the Company for the nine months ended 31 December 2019 increased by approximately 32.0% to approximately HK$72.5 million (2018: approximately HK$54.9 million).

- Basic loss per share for the nine months ended 31 December 2019 was approximately HK1.79 cents (2018: approximately HK1.35 cents).

- The Board does not recommend the payment of any dividend for the nine months ended 31 December 2019.

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 three months and nine months ended 31 December 2019, together with the unaudited comparative figures for the corresponding periods in 2018, as follows:

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

For the three months and nine months ended 31 December 2019

		Nine months ended 31 December		Three months ended 31 December	
		2019	2018	**2019**	2018
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	*4*	**160,911**	240,555	**50,205**	98,593
Cost of services		**(179,684)**	(241,365)	**(58,201)**	(98,179)
Gross (loss)/profit		**(18,773)**	(810)	**(7,996)**	414
Other income	*5*	**634**	399	**450**	193
Other gains and losses	*6*	**1,631**	1,252	**613**	(24)
Amortisation expenses		**(13,800)**	(14,078)	**(4,617)**	(4,617)
Selling and distribution expenses		**(578)**	–	**–**	–
Administrative expenses		**(19,470)**	(16,458)	**(5,246)**	(5,665)
Changes in fair value of financial assets at fair value through profit or loss		**(4,162)**	(9,721)	**(2,000)**	(1,633)
Loss from operations	*8*	**(54,518)**	(39,416)	**(18,796)**	(11,332)
Finance costs		**(21,033)**	(17,907)	**(7,149)**	(5,059)
Loss before income tax		**(75,551)**	(57,323)	**(25,945)**	(16,391)
Income tax	*9*	**3,052**	2,403	**958**	966
Loss for the period attributable to the owners of the Company		**(72,499)**	(54,920)	**(24,987)**	(15,425)

	Notes	Nine months ended 31 December **2019** ***HK$'000***	2018 *HK$'000*	Three months ended 31 December **2019** ***HK$'000***	2018 *HK$'000*
Other comprehensive (loss)/income:					
Items that may be classified subsequently to profit or loss:					
Exchange differences on translating foreign operations		**(606)**	(995)	**26**	128
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		**–**	(950)	**–**	(250)
Other comprehensive (loss)/income for the period, net of tax		**(606)**	(1,945)	**26**	(122)
Total comprehensive loss for the period		**(73,105)**	(56,865)	**(24,961)**	(15,547)
Loss for the period attributable to the owners of the Company		**(72,499)**	(54,920)	**(24,987)**	(15,425)
Total comprehensive loss for the period attributable to the owners of the Company		**(73,105)**	(56,865)	**(24,961)**	(15,547)
Loss per share attributable to the owners of the Company	*11*				
– Basic and diluted *(HK cent(s))*		**(1.79)**	(1.35)	**(0.62)**	(0.38)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 31 December 2019

	Share capital *HK$'000*	Share premium *HK$'000*	Convertible notes equity reserves *HK$'000*	Foreign currency translation reserves *HK$'000*	Capital reserves *HK$'000*	Investment revaluation reserves *HK$'000*	Other reserves *HK$'000*	Accumulated losses *HK$'000*	Total equity *HK$'000*
As at 1 April 2019	4,055	1,238,195	14,400	(1,647)	2,758	(1,057)	41,214	(1,464,909)	(166,991)
Adoption of HKFRS 16	–	–	–	–	–	–	–	(2,530)	(2,530)
Adjusted balance at 1 April 2019	4,055	1,238,195	14,400	(1,647)	2,758	(1,057)	41,214	(1,467,439)	(169,521)
Loss for the period	–	–	–	–	–	–	–	(72,499)	(72,499)
Other comprehensive loss for the period:									
Items that may be classified subsequently to profit or loss:									
Exchange differences on translating foreign operations	–	–	–	(606)	–	–	–	–	(606)
Total comprehensive loss for the period	–	–	–	(606)	–	–	–	(72,499)	(73,105)
Transfer to accumulated losses upon derecognition of financial assets at fair value through other comprehensive income	–	–	–	–	–	1,057	–	(1,057)	–
As at 31 December 2019 (unaudited)	4,055	1,238,195	14,400	(2,253)	2,758	–	41,214	(1,540,995)	(242,626)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 31 December 2019

	Share capital *HK$'000*	Share premium *HK$'000*	Convertible notes equity reserves *HK$'000*	Foreign currency translation reserves *HK$'000*	Capital 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	1,304	(116)	2,758	–	21,862	(1,399,354)	(131,296)
Loss for the period	–	–	–	–	–	–	–	(54,920)	(54,920)
Other comprehensive loss for the period:									
Items that may be classified subsequently to profit or loss:									
Exchange differences on translating foreign operations	–	–	–	(995)	–	–	–	–	(995)
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	–	–	–	–	–	(950)	–	–	(950)
Total comprehensive loss for the period	–	–	–	(995)	–	(950)	–	(54,920)	(56,865)
Transfer to accumulated losses upon mature of convertible bonds	–	–	(1,304)	–	–	–	–	1,304	–
As at 31 December 2018 (unaudited)	4,055	1,238,195	–	(1,111)	2,758	(950)	21,862	(1,452,970)	(188,161)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2019

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 rooms 2708-10, 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 activity of the Company is investment holding. The subsidiaries are engaged in the provision of civil engineering services for the public sector in Hong Kong and television broadcasting and advertising 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 third quarterly financial statements for the nine months ended 31 December 2019 (the "Quarterly Financial Statements") have been prepared to comply with 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 Quarterly Financial Statements are consistent with those used in the annual report for the year ended 31 March 2019, except for those related to new standards and interpretations effective for the first time periods beginning on 1 April 2019 and expected to be reflected in the forthcoming annual financial statements as disclosed below.

The Quarterly 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 Quarterly 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$72,499,000 during the nine months ended 31 December 2019 and, as of that date, the Group had an unaudited net current liabilities and an unaudited net liabilities of approximately HK$301,141,000 and HK$242,626,000 respectively;

- As at 31 December 2019, the promissory note issued by the Group in principal amount of approximately HK$45,040,000 which is due within the next twelve months after 31 December 2019; and

- As at 31 December 2019, the convertible notes issued by the Company in principal amount of approximately HK$257,030,000 which is due within the next twelve months after 31 December 2019.

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

(1) China Xinhua News Network Co., Limited ("China Xinhua NNC"), one of the major shareholders of the Company and a convertible notes holder, has confirmed to provide financial support to the Group in a reasonable manner under relevant laws and regulatory requirements, to maintain the going concern of the Company. The financial support only refers to allow the Company to extend the repayment for the liabilities due to China Xinhua NNC to not earlier than 12 months commencing from 31 December 2019, 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$49,191,000 as of 31 December 2019; and (3) the liabilities due to China Xinhua NNC of approximately HK$19,587,000 as of 31 December 2019 in respect of annual fee for television broadcasting right, carriage fee payment and satellite transmission fee, if the repayment would cause the Company to be unable to settle its liabilities due to other parties when they fall due.

(2) The Group is 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 operation.

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

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 April 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
Hong Kong (International Financial Reporting Interpretations Committee) Interpretation ("HK(IFRIC)–Int") 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impacts and changes in accounting policies of application on HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current period. HKFRS 16 superseded HKAS 17 "Leases" and the related interpretations.

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognizes right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Refundable rental deposits paid are accounted under HKFRS 9 "Financial Instruments" ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in expected payment under a guaranteed residual value in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

3.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognized at the date of initial application, 1 April 2019. Any difference at the date of initial application is recognized in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative of impairment review;

ii. elected not to recognize right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment;

v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognized lease liabilities of approximately HK$18,667,000 and right-of-use assets of approximately HK$15,947,000 at 1 April 2019.

When recognizing the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 2.07% to 5.16%.

	Note	**At 1 April 2019** *HK$'000*
Operating lease commitment disclosed as at 31 March 2019		21,248
Lease liabilities discounted at relevant incremental borrowing rates		20,940
Add: Extension options reasonably certain to be exercised		432
Less: Recognition exemption – leases with terms ending within 12 months of the date of initial application		(888)
Less: Recognition exemption – contracts reassessed as service agreements		(1,859)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16		18,625
Add: Obligation under finance leases recognised at 31 March 2019	*(a)*	42
Lease liabilities as at 1 April 2019		18,667
Analysed as:		
Current		9,284
Non-Current		9,383
		18,667

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

	Note	Right-of-use assets HK$'000
Right-of-use assets relating operating leases recognised upon application of HKFRS 16		15,741
Assets previously under finance leases included in property, plant and equipment under HKAS 17	*(a)*	141
Adjustments on rental deposits at 1 April 2019		63
		15,945

By class:

	At 31 December 2019 ***HK$'000***	At 1 April 2019 *HK$'000*
Rented premises	**5,761**	9,373
Office equipments	**702**	1,010
Assets related television broadcasting business	**3,428**	5,421
Motor vehicles	**1,915**	141
	11,806	15,945

Notes:

(a) In relation to assets previously under finance leases with carrying amount of approximately HK$141,000, the Group reclassified the obligation under finance leases of approximately HK$42,000 to lease liabilities as current liabilities at 1 April 2019.

(b) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and should be adjusted to reflect the discounting effect at transition. Accordingly, approximately HK$66,000 and HK$63,000 were adjusted to refundable rental deposit paid and right-of-use assets respectively.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously at 31 March 2019	**Adjustments**	**Carrying amounts under HKFRS 16 at 1 April 2019**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Property, plant and equipment	38,302	(141)	38,161
Right-of-use assets	–	15,945	15,945
Current assets			
Trade and other receivables	105,738	(66)	105,672
Current liabilities			
Trade and other payables	88,973	(357)	88,616
Lease liabilities	–	9,284	9,284
Finance lease payables	42	(42)	–
Non-current liabilities			
Lease liabilities	–	9,383	9,383
Capital and reserves			
Reserves	(171,046)	(2,530)	(173,576)

4. REVENUE

Revenue recognised during the three months and nine months ended 31 December 2019 and 31 December 2018 were as follows:

	Nine months ended 31 December		**Three months ended 31 December**	
	2019	2018	**2019**	2018
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Construction works	**156,110**	240,055	**49,271**	98,093
Advertising income	**4,801**	500	**934**	500
	160,911	240,555	**50,205**	98,593

	Nine months ended 31 December		**Three months ended 31 December**	
	2019	2018	**2019**	2018
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Timing of revenue recognition				
Over time	**160,911**	240,555	**50,205**	98,593

5. OTHER INCOME

Other income recognised during the three months and nine months ended 31 December 2019 and 31 December 2018 were as follows:

	Nine months ended 31 December		**Three months ended 31 December**	
	2019	2018	**2019**	2018
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Interest income on bank deposits	**125**	43	**38**	29
Interest income on rental deposits	**28**	–	**10**	–
Dividend income	**48**	198	**11**	15
Sundry income	**433**	158	**391**	149
	634	399	**450**	193

6. OTHER GAINS AND LOSSES

Other gains and losses recognised during the three months and nine months ended 31 December 2019 and 31 December 2018 were as follows:

	Nine months ended 31 December		**Three months ended 31 December**	
	2019	2018	**2019**	2018
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Exchange gain/(loss), net	**391**	1,169	**(11)**	(19)
Net gains/(losses) on disposal of property, plant and equipment	**928**	83	**592**	(5)
Reversal for allowance for expected credit losses recognised for trade receivables	**296**	–	**35**	–
Reversal/(provision) for allowance for expected credit losses recognised for contract assets	**16**	–	**(3)**	–
	1,631	1,252	**613**	(24)

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 nine months ended 31 December 2019, 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, drainage services and site formation works for public sector in Hong Kong; and

(ii) Television broadcasting and advertising 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 result by reportable segment.

For the nine months ended 31 December 2019

	Provision of civil engineering services (Unaudited) ***HK$'000***	**Television broadcasting and advertising business (Unaudited)** ***HK$'000***	**Total (Unaudited)** ***HK$'000***
Revenue from external customers	**156,110**	**4,801**	**160,911**
Other income and gains	**1,700**	**24**	**1,724**
Reportable segment revenue	**157,810**	**4,825**	**162,635**
Reportable segment results	**(26,231)**	**(18,145)**	**(44,376)**
Unallocated corporate income			**184**
Unallocated corporate expenses			**(10,326)**
Finance costs			**(21,033)**
Loss before income tax			**(75,551)**

For the nine months ended 31 December 2018

	Provision of civil engineering services (Unaudited) *HK$'000*	Television broadcasting and advertising business (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Revenue from external customers	240,055	500	240,555
Other income and gains	251	–	251
Reportable segment revenue	240,306	500	240,806
Reportable segment results	50	(20,517)	(20,467)
Unallocated corporate income			1,400
Unallocated corporate expenses			(20,349)
Finance costs			(17,907)
Loss before income tax			(57,323)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the nine months ended 31 December 2019 and 31 December 2018.

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

8. LOSS FROM OPERATIONS

Loss from operations is arrived at after charging the following:

	Nine months ended 31 December		**Three months ended 31 December**	
	2019	2018	**2019**	2018
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amortisation of intangible assets (included in amortisation expenses)	**13,800**	13,800	**4,617**	4,617
Amortisation of film rights (included in amortisation expenses)	**–**	278	**–**	–
Depreciation of property, plant and equipment	**14,738**	16,405	**4,476**	5,769
Depreciation of right-of-use assets	**6,189**	–	**2,098**	–

9. INCOME TAX

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

	Nine months ended 31 December		**Three months ended 31 December**	
	2019	2018	**2019**	2018
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current tax – Hong Kong profits tax				
– current period	**678**	584	**167**	584
– over-provision in prior year	**–**	(162)	**–**	–
Current tax – PRC Enterprise Income tax				
– under-provision in prior years	**–**	434	**–**	–
Deferred tax				
– current period	**(3,730)**	(3,259)	**(1,125)**	(1,550)
Income tax	**(3,052)**	(2,403)	**(958)**	(966)

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK$2,000,000 will be taxed at 16.5%. The assessable profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("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 has no assessable profits arising in the PRC during each of three months and nine months ended 31 December 2019 and 31 December 2018.

10. DIVIDENDS

The Board does not recommend the payment of any dividend for each of the three months and nine months ended 31 December 2019 respectively (2018: Nil).

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

The calculations of basic loss per Share for the three months and nine months ended 31 December 2019 are based on the unaudited consolidated loss of approximately HK$24,987,000 and approximately HK$72,499,000 attributable to the owners of the Company for each of the three months and nine months ended 31 December 2019 respectively (unaudited consolidated loss of three months and nine months ended 31 December 2018: approximately HK$15,425,000 and approximately HK$54,920,000 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 nine months ended 31 December 2019 (weighted average number of Shares in issue for the three months and nine months ended 31 December 2018: 4,055,349,947 and 4,055,349,947 respectively) as if they had been in issue throughout the periods.

The diluted loss per Share for the three months and nine months ended 31 December 2019 and 31 December 2018 are the same as the basis loss per share. The computation of diluted loss per share for the three months and nine months ended 31 December 2019 and 31 December 2018 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.

12. SHARE CAPITAL

	Number of Shares	Nominal value
		HK$'000
Authorised:		
As at 1 April 2019 and 31 December 2019 (Unaudited)	500,000,000,000	500,000
Issued and fully paid:		
As at 1 April 2019 and 31 December 2019 (Unaudited)	4,055,349,947	4,055

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 and advertising business in the Asia-Pacific region (excluding the PRC) in return for advertising and related revenue. During the nine months ended 31 December 2019 (the "Period"), the Group continued to focus on rendering civil engineering services to the public sector in Hong Kong and develop its television broadcasting and advertising business.

Provision of civil engineering services

During the Period, the Group has been undertaking three main contracts and five subcontracts. Among the eight contracts, two are related to provision of waterworks engineering services and the remaining is 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
	Q067133	Elevated Road along Lohas Park Road and the pedestrian footbridge FB1
Subcontracts	DC/2012/08	Lam Tsuen Valley Sewerage – village sewage, 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 Tse Tin Road in Area 54, Tuen Mun
	810B	West Kowloon Terminus Station South, Contract 810B
	CV/2016/10	Site Formation and Association Infrastructural Works For Development of Columbarium at Sandy Ridge Cemetery

During the Period, the two contracts with contract numbered CV/2015/03 and CV/2016/10 were the main contributors to the Group's revenue, which generated approximately HK$39.5 million and approximately HK$96.1 million, constituting approximately 24.5% and approximately 59.7% of the Group's total revenue respectively.

Television broadcasting and advertising business

Due to the continuing uncertain global political and economic environment and the drastic changes in the media market in the year 2019, the Group continued to sustain larger pressure and challenges in traditional 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. The intensive competitions as well as deteriorating market development have further driven to severe tough operating environment in keen market competitions. By leveraging on the management experience and business strategy which has shored up our position in the media market, the Group is well-positioned and differentiated itself from competitors and the built-up of market influence of the Group. The Group is sensitive to such changes and takes responsive actions accordingly by incessantly exploring different forms of diversified media products to make space for the survival of the media market.

The Group will continue to cautiously monitor the business opportunities and continue to strengthen its competitiveness in the market to enhance the profitability of the Group and interests of the shareholders of the Company. The Group and the management team are determined to intensify their effort during the year and afterward so that the Group can continue to thrive.

Financial Review

Revenue

For the Period, the Group reported revenue of approximately HK$160.9 million (2018: approximately HK$240.6 million), representing a decrease of approximately 33.1% as compared with that for the same period of the previous year. The revenue derived from provision of civil engineering services and television broadcasting and advertising business constituted approximately 97.0% and 3.0% of the Group's total revenue respectively. The decrease in revenue was mainly due to certain civil engineering projects substantially completed and reached the maintenance stage or nearly completion stage as well as keen competition faced by the Group in obtaining new tenders for Period. The Group derived aggregate advertising revenue of approximately HK$4.8 million (2018: approximately HK$0.5 million) from television broadcasting and advertising business.

During the Period, the revenue of the Group was primarily generated from the undertaking of civil engineering contracts in the capacity of a subcontractor and a jointly controlled operator. The revenue generated from undertaking in a capacity of a subcontractor and a jointly controlled operator amounted to approximately HK$137.7 million (2018: in a capacity of subcontractor of approximately HK$130.8 million), representing approximately 85.6% (2018: in a capacity of subcontractor of approximately 54.4%) 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 amounted to approximately HK$18.4 million (2018: in the capacity of a main contractor and jointly controlled operator of approximately HK$109.2 million), representing approximately 11.4% (2018: in the capacity of a main contractor and jointly controlled operator of approximately 45.4%) of the total revenue for the Period.

Cost of services

The Group's cost of services for the Period decreased by approximately 25.6% to approximately HK$179.7 million (2018: approximately HK$241.4 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

The gross loss of the Group for the Period was amounted to approximately HK$18.8 million (2018: approximately HK$0.8 million). The gross loss margin of the Group was amounted to approximately 11.7% for the Period (2018: approximately 0.3%). The increase in gross loss was mainly due to the (i) the progress of projects with higher gross profit margin had slowed down during the Period; (ii) the decrease in gross profit margin of certain projects awarded to the Group in the recent years as a result of keen competition in the construction industry in Hong Kong; (iii) additional construction costs were incurred towards the completion stage of certain projects and (iv) increasing in cost of construction works.

Other income

The Group's other income for the Period increased by approximately 58.9% to approximately HK$0.6 million (2018: approximately HK$0.4 million) as compared with that for the same period of the previous year. The other income mainly consisted of interest income, cash dividend received from investment in financial assets at fair value through profit or loss and other sundry income during the Period.

Other gains and losses

The Group's other gains and losses for the Period increased by approximately 30.3% to approximately HK$1.6 million (2018: approximately HK$1.3 million). Other gains and losses mainly consisted of net gain on foreign exchange difference, reversal of allowance for expected credit losses recognised for trade receivables 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 2.0% to approximately HK$13.8 million (2018: approximately HK$14.1 million) as compared with that for the same period of the previous year. The amortisation expenses mainly consisted of amortisation of television broadcasting right and film rights for the television broadcasting and advertising business.

Administrative expenses

The Group's administrative expenses for the Period increased by approximately 18.3% to approximately HK$19.5 million (2018: approximately HK$16.5 million) as compared with that for the same period of the previous year. The administrative expenses mainly consisted of legal and professional fees, staff costs (including Directors' remuneration), depreciation expenses and rental expenses. The increase in administrative expenses was mainly due to increase in repair and maintenance expenses and consultant fee during the Period.

Finance costs

The Group's finance costs for the Period increased by approximately 17.5% to approximately HK$21.0 million (2018: approximately HK$17.9 million) as compared with that for the same period of the previous year. The finance costs mainly consist 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 approximately 32.0% to approximately HK$72.5 million (2018: approximately HK$54.9 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 during the Period.

Loss per Share

The basic loss per Share for the Period was approximately HK1.79 cents (2018: approximately HK1.35 cents).

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 and advertising business. The Group will continue to cautiously monitor the business environment and strength the competitiveness in the market.

Provision of civil engineering services

The Group is of the view that the general outlook of the construction industry and the business environment in which the Group operates remain difficult and challenging. Hong Kong construction companies are facing tougher competitive condition as well as the slower progress of scrutinising the funding proposals for public works projects by the Finance Committee and the Public Works Subcommittee due to political and social chaos in Hong Kong in the recent months. Also, the Group is currently facing tougher operating environment because some of the competitors adopted pricing strategies so as to bid the new contracts at an extreme low margin or in some cases bidding at loss prices so as to increase the chance of successful tenders. As such, the fall in business opportunities drove the competitors to grasp more projects at low margins to compensate the declines from civil engineering sector. The overall impact of keen competition, the shortage of supply of skilled labour and the increase in the price of certain raw materials would have further decrease on the profit margin of the Group.

To cope with this, the Group will try its best to implement tight cost control measures on existing projects and improve the efficiency and effectiveness of project management. Up to now, the Group still intends to keep the current team structure and resources in place strategically so as to capture every opportunity for bidding for major projects when those tenders roll out. The Group will retain some of the resources and capital in order to maintain market competitiveness, and increase the opportunities to tender new projects. Nevertheless, the Group is prudently optimistic towards the long-term outlook of the construction industry in Hong Kong in view of the Hong Kong Government's continuing policies to launch large scale infrastructure projects. The Group will continue to strive to improve its operational efficiency and business profitability so as to enhance the shareholders' value.

Television broadcasting and advertising business

Looking ahead, the forthcoming financial year is expected to be challenging due to the competitive market conditions in the advertising industry. The course of the trade war between China and the U.S. and the political chaos in Hong Kong itself will further increase the burden of Hong Kong economy. Under the current circumstances, the Group expects the prospects of the advertising and media industry to remain challenging for the coming year. As such, the Group will still adopt a prudent approach and it will definitely affect the development of television broadcasting and advertising business including the potential redevelopment of Chinese ancient architectures business and related advertising business. Looking ahead, the Group will aim to further promote the brand awareness and develop solid operating strategy. Also, the Group will seize the opportunities in the advertising sector to step up investments in the advertising market and seek to tap on new customers, businesses and revenue streams for delivering better returns to its shareholders.

As a long established and reputable player in different business segments, the Group holds a cautiously optimistic view towards the market. It will strive to capture the business opportunities and apply its expertise. Though faced with the above adverse business outlook, the Group will endeavor to identify new investment opportunities and enter into new project of higher value-added contribution to broaden its income sources.

DIVIDENDS

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

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 31 December 2019, 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 Futures 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 31 December 2019, 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 31 December 2019, 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 and underlying 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)*	–	1,311,378,622 *(Note b)*	–	2,499,999,999	61.65%
中國新華新聞電視網有限公司 ("CNC China")	–	1,188,621,377 *(Note b)*	–	1,311,378,622 *(Note b)*	2,499,999,999	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, 17 January 2018 and 16 January 2019.

(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 1,311,378,622 underlying Shares held by China Xinhua NNC under the SFO.

Saved as disclosed above, as at 31 December 2019, 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 operating Co., Limited ("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 approximately HK$1.0 million prior to 31 December 2016 and approximately 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.

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.

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 9 August 2019 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 31 December 2019, 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, 12 February 2020

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.