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)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 2020

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.

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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 three months ended 30 June 2020 decreased by approximately 4.2% to approximately HK$57.1 million (2019: approximately HK$59.7 million).

- Loss of the Group for the three months ended 30 June 2020 increased by approximately 17.5% to approximately HK$24.1 million (2019: approximately HK$20.5 million).

- Basic loss per Share attributable to the owners of the Company for the three months ended 30 June 2020 was approximately HK0.59 cent (2019: approximately HK0.51 cent).

- The Board does not recommend the payment of any dividend for the three months ended 30 June 2020.

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 ended 30 June 2020, together with the unaudited comparative figures for the corresponding period in 2019, as follows:

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

For the three months ended 30 June 2020

		Three months ended 30 June	
		2020	2019
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*	**57,126**	59,654
Cost of services		**(63,386)**	(62,949)
Gross loss		**(6,260)**	(3,295)
Other income	*5*	**864**	96
Other gains and losses	*6*	**324**	624
Amortisation expenses		**(4,567)**	(4,567)
Selling and distribution expenses		**(193)**	(289)
Administrative expenses		**(8,214)**	(6,699)
Changes in fair value of financial assets at fair value through profit or loss		**(94)**	(579)
Loss from operations	*8*	**(18,140)**	(14,709)
Finance costs		**(7,341)**	(6,825)
Loss before income tax		**(25,481)**	(21,534)
Income tax	*9*	**1,392**	1,037
Loss for the period		**(24,089)**	(20,497)
Attributable to:			
Owners of the Company		**(23,847)**	(20,497)
Non-controlling interests		**(242)**	–
Loss for the period		**(24,089)**	(20,497)
Loss per Share attributable to the owners of the Company	*11*		
– Basic and diluted *(HK cent)*		**(0.59)**	(0.51)

	Notes	Three months ended 30 June **2020** ***HK$'000***	 2019 *HK$'000*
Loss for the period		**(24,089)**	(20,497)
Other comprehensive income/(loss):			
Items that may be classified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**40**	(159)
Other comprehensive income/(loss) for the period, net of income tax		**40**	(159)
Total comprehensive loss for the period		**(24,049)**	(20,656)
Total comprehensive loss for the period attributable to:			
Owners of the Company		**(23,807)**	(20,656)
Non-controlling interests		**(242)**	–
		(24,049)	(20,656)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 30 June 2020

	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 *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
As at 1 April 2020	**4,055**	**1,238,195**	**2,758**	**14,400**	**(2,751)**	**–**	**41,214**	**(1,569,839)**	**(271,968)**	**–**	**(271,968)**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(23,847)**	**(23,847)**	**(242)**	**(24,089)**
Other comprehensive income for the period:											
Items that may be classified subsequently to profit or loss:											
Exchange differences on translating foreign operations	**–**	**–**	**–**	**–**	**40**	**–**	**–**	**–**	**40**	**–**	**40**
Total comprehensive income/(loss) for the period	**–**	**–**	**–**	**–**	**40**	**–**	**–**	**(23,847)**	**(23,807)**	**(242)**	**(24,049)**
Deemed disposal of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,718)**	**(2,718)**	**2,718**	**–**
As at 30 June 2020 (unaudited)	**4,055**	**1,238,195**	**2,758**	**14,400**	**(2,711)**	**–**	**41,214**	**(1,596,404)**	**(298,493)**	**2,476**	**(296,017)**
As at 1 April 2019	4,055	1,238,195	2,758	14,400	(1,647)	(1,057)	41,214	(1,464,909)	(166,991)	–	(166,991)
Loss for the period	–	–	–	–	–	–	–	(20,497)	(20,497)	–	(20,497)
Other comprehensive loss for the period:											
Items that may be classified subsequently to profit or loss:											
Exchange differences on translating foreign operations	–	–	–	–	(159)	–	–	–	(159)	–	(159)
Total comprehensive loss for the period	–	–	–	–	(159)	–	–	(20,497)	(20,656)	–	(20,656)
Transfer to accumulated losses upon derecognition of investment revaluation	–	–	–	–	–	1,057	–	(1,057)	–	–	–
As at 30 June 2019 (unaudited)	4,055	1,238,195	2,758	14,400	(1,806)	–	41,214	(1,486,463)	(187,647)	–	(187,647)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2020

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 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 media and advertising business comprising television broadcasting business in the Asia-Pacific region (excluding the People's Republic of China (the "PRC")) and digital marketing business on overseas market in return for advertising and related revenue.

2. BASIS OF PRESENTATION

(a) Statement of compliance

The unaudited condensed consolidated first quarterly financial statements for the three months ended 30 June 2020 (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 2020, except for those related to new standards and interpretations effective for the first time periods beginning on 1 April 2020 and expected to be reflected in the forthcoming annual financial statements.

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$24,089,000 during the three months ended 30 June 2020 and, as of that date, the Group had unaudited net current liabilities and unaudited net liabilities of approximately HK$338,716,000 and approximately HK$294,521,000 respectively;

- The Group had promissory note in principal amount of approximately HK$45,040,000 which was due on the reporting date but the Group has not been able to obtain extension of repayment of such balance prior to the date of approval of the Quarterly Financial Statements; and

- The Group had convertible notes in principal amount of approximately HK$257,030,000 which is due within the next twelve months after 30 June 2020.

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) 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 June 2020, including (1) the convertible notes in the principal amount of approximately HK$257,030,000; (2) the interest payables on the convertible notes amounted to approximately HK$53,025,000 as of 30 June 2020; and (3) the liabilities due to China Xinhua NNC of approximately HK$21,087,000 as of 30 June 2020 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 in the process of negotiating with the promissory noteholder for any possible proposal regarding the potential renewal of extension or the promissory note and other feasible solutions.

(3) 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.

(4) 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 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 Hong Kong Accounting Standards ("HKASs") and Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant for the preparation of the Group's unaudited condensed consolidated financial statements:

HKFRS 3	Definition of a Business (amendments)
HKAS 1 and HKAS 8	Definition of Material (amendments)
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
HKAS 39, HKFRS 7 and HKFRS 9	Hedge accounting (amendments)

The application of the other new and amendments to HKASs and HKFRSs in the current period has had no material effect on the amounts reported in Quarterly Financial Statements and/or disclosures set out in Quarterly Financial Statements.

4. REVENUE

Revenue recognised during the three months ended 30 June 2020 and 30 June 2019 were as follows:

Over time of revenue recognition

	Three months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Construction works	**44,438**	56,720
Advertising income	**12,688**	2,934
	57,126	59,654

5. OTHER INCOME

Other income recognised during the three months ended 30 June 2020 and 30 June 2019 were as follows:

	Three months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income	**189**	39
Dividend income	**–**	35
Sundry income	**675**	22
	864	96

6. OTHER GAINS AND LOSSES

Other gains and losses recognised during the three months ended 30 June 2020 and 30 June 2019 were as follows:

	Three months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Exchange (loss)/gain, net	**(52)**	231
Net gains on disposals of property, plant and equipment	**1**	162
Reversal of allowance for expected credit losses recognised for trade receivables	**369**	210
Reversal of allowance for expected credit losses recognised for contract assets	**6**	21
	324	624

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 three months ended 30 June 2020, 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) Media and advertising business – (a) the business of broadcasting television programmes on television channels operated by television broadcasting companies in the Asia-Pacific region (excluding the PRC) and (b) business of promoting digital marketing activities on overseas video platform in return for advertising and related revenue.

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

Segment revenue and results

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

For the three months ended 30 June 2020

	Provision of civil engineering services (Unaudited) ***HK$'000***	**Media and advertising business (Unaudited)** ***HK$'000***	**Total (Unaudited)** ***HK$'000***
Revenue from external customers	**44,438**	**12,688**	**57,126**
Other income and gains	**1,051**	**1**	**1,052**
Reportable segment revenue	**45,489**	**12,689**	**58,178**
Reportable segment results	**(13,117)**	**(3,215)**	**(16,332)**
Unallocated corporate income			**188**
Unallocated corporate expenses			**(1,996)**
Finance costs			**(7,341)**
Loss before income tax			**(25,481)**

For the three months ended 30 June 2019

	Provision of civil engineering services (Unaudited) *HK$'000*	Media and advertising business (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Revenue from external customers	56,720	2,934	59,654
Other income and gains	412	–	412
Reportable segment revenue	57,132	2,934	60,066
Reportable segment results	(6,618)	(5,601)	(12,219)
Unallocated corporate income			74
Unallocated corporate expenses			(2,564)
Finance costs			(6,825)
Loss before income tax			(21,534)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the three months ended 30 June 2020 and 30 June 2019.

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 expense. 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:

	Three months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Amortisation of intangible assets (included in amortisation expenses)	**4,567**	4,567
Depreciation of property, plant and equipment	**3,783**	5,254
Depreciation of right-of-use assets	**1,479**	–

9. INCOME TAX

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

	Three months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax – Hong Kong profits tax		
– current period	**99**	128
– over-provision in respect of prior years	**(402)**	–
	(303)	128
Current tax – PRC Enterprise Income tax		
– Under-provision in prior years	**–**	–
	(303)	128
Deferred tax		
– current period	**(1,089)**	(1,165)
Income tax credit	**(1,392)**	(1,037)

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% for the three months ended 30 June 2020 and 30 June 2019.

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 has no assessable profits arising in the PRC during the three months ended 30 June 2020 and 30 June 2019.

10. DIVIDENDS

The Board does not recommend the payment of any dividend for the three months ended 30 June 2020 and 30 June 2019.

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

The calculations of basic loss per Share for the three months ended 30 June 2020 is based on the unaudited consolidated loss of approximately HK$23,847,000 attributable to the owners of the Company for the three months ended 30 June 2020 (three months ended 30 June 2019: approximately HK$20,497,000) and the weighted average number of 4,055,349,947 Shares in issue for the three months ended 30 June 2020 (three months ended 30 June 2019: 4,055,349,947 Shares) as if they had been in issue throughout the periods.

Diluted loss per Share for the three months ended 30 June 2020 and 30 June 2019 are the same as the basic loss per Share. The computation of diluted loss per Share for the three months ended 30 June 2020 and 30 June 2019 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 2020 and 30 June 2020 (Unaudited)	500,000,000,000	500,000
Issued and fully paid:		
As at 1 April 2020 and 30 June 2020 (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 media and advertising business comprising television broadcasting business in the Asia-Pacific region (excluding the PRC) and digital marketing business on overseas market in return for advertising and related revenue. During the three months ended 30 June 2020 (the "Period"), the Group continued to focus on rendering civil engineering services for the public sector in Hong Kong, develop its television broadcasting business and commence digital marketing business on overseas market in return for advertising and related income.

Provision of civil engineering services

During the Period, the Group has been undertaking two main contracts and four subcontracts. Among the six contracts, one of these are related to provision of waterworks engineering services and the remaining contracts are related to provision of drainage services and site formation. Details of the contracts undertaken are set out below:

	Contract number	Particulars of contract
Main contracts	Q067133	Elevated Road along Lohas Park Road and the pedestrian footbridge FB1
	ND/2019/08	Site formation works at remaining part of Tai Po area 39
Subcontracts	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
	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$10.1 million and HK$31.1 million, constituting approximately 17.7% and 54.5% of the Group's revenue respectively.

Media and advertising business

The Group's original television broadcasting segment is currently experiencing tougher operating environment including, but not limited to intense competition in a crowded marketplace with different operators and changing user habits. To broaden its revenue base, the Group promotes digital marketing activities on overseas video platform. As such, it could further promote the development strategy of brand diversification and enhance the Group's brand awareness in the media industry. It can also help to maintain audience's attraction and retention against the change of viewing habits in the digital media market. The attempts to promote new media business are expected to make progress in media and advertising business, which will push the development of the Group into a new chapter. The Group will continue to co-operate with different partners and diversify to different media platforms for generating synergies between television broadcasting business and digital marketing business.

Looking forward, the Group will keep focusing on its existing businesses while looking for appropriate projects that are in line with the overall strategy of the Group. The Group will continue to seek potential investments and explore new business opportunities in order to maintain business competitiveness, enhance shareholder's value and ensure long-term sustainable growth. The Group aims at strengthening its market position in the industry and increases its market shares.

Financial Review

Revenue

For the Period, the Group reported a revenue of approximately HK$57.1 million (2019: approximately HK$59.7 million), representing a decrease of approximately 4.2% as compared with that for the same period of the previous year. The revenue derived from provision of civil engineering services and media and advertising business constituted approximately 77.8% and 22.2% of the Group's total revenue respectively. The decrease in revenue was mainly due to decrease in work from certain civil engineering projects reaching the maintenance stage or nearly completion stage as well as keen competition faced by the Group in obtaining new tenders for the Period.

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 joint venture. The subcontracting revenue generated from undertaking in capacity of a subcontractor and a jointly controlled operator amounted to approximately HK$41.2 million (2019: approximately HK$49.5 million), representing approximately 72.1% (2019: approximately 82.9%) of the total revenue for the Period. On the other hand, the revenue generated from the undertaking of civil engineering contracts in the capacity of a main contractor amounted to approximately HK$3.3 million (2019: approximately HK$7.2 million), representing approximately 5.7% (2019: approximately 12.2%) of the total revenue for the Period.

With the commencement of digital marketing business of the Group during the Period, the advertising revenue derived from media and advertising business increased by approximately 3.3 times to approximately HK$12.7 million (2019: approximately HK$2.9 million) as compared with that for the same period of the previous year. Majority of the advertising income was derived from the digital marketing business for the Period.

Cost of services

The Group's cost of services increased by approximately 0.7% to approximately HK$63.4 million for the Period (2019: approximately HK$62.9 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 media and advertising 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 media and advertising business mainly comprise of costs of television broadcasting business and costs of digital marketing business. 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 News Network Co., Limited ("China Xinhua NNC"). Costs of digital marketing business mainly comprise of costs of usage of information contents to content providers and other direct costs. Other direct operating costs mainly comprise depreciation charges of LED display screens. The increase in cost of services was mainly due to the overall increase in staff costs, materials and subcontracting costs in respect of provision of civil engineering services business and incurrence in costs of digital marketing business as it commenced for the Period.

Gross loss

The gross loss for the Group for the Period increased by approximately 90.0% to approximately HK$6.3 million (2019: approximately HK$3.3 million) as compared with that for the same period of the previous year. The gross loss margin of the Group increased to approximately 11.0% (2019: approximately 5.5%) for the Period. The increase in gross loss was mainly due to (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) an increase in direct costs incurred from (a) general increasing construction costs; (b) unexpected complexity arising from construction works for certain construction projects of the Group during the Period and towards the completion stage and (c) delays in certain projects as a result of the outbreak of the novel coronavirus (COVID-19) epidemic.

Other income

The Group's other income for the Period increased by approximately 8.0 times to approximately HK$0.9 million (2019: approximately HK$96,000) as compared with that for the same period of the previous year. The other income mainly consisted of interest income and other sundry income during the Period.

Other gains and losses

The Group's other gains and losses for the Period decreased by approximately 48.1% to approximately HK$0.3 million (2019: approximately HK$0.6 million) as compared with that for the same period of the previous year. Other gains and losses mainly consisted of reversal of allowance for expected credit losses recognised for trade receivables and contract assets for the Period.

Amortisation expenses

The Group's amortisation expenses for the Period were amounted to approximately HK$4.6 million (2019: approximately HK$4.6 million). The amortisation expenses mainly consisted of amortisation of television broadcasting right for the television broadcasting business included in media and advertising business.

Selling and distribution expenses

The Group's selling and distribution expenses for the Period decreased by approximately 33.2% to approximately HK$0.2 million (2019: approximately HK$0.3 million) as compared with that for the same period of the previous year. The selling and distribution expenses were mainly consisted of marketing expenses for the media and advertising business for the Period.

Administrative expenses

The Group's administrative expenses for the Period increased by approximately 22.6% to approximately HK$8.2 million (2019: approximately HK$6.7 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.

Finance costs

The Group's finance costs for the Period increased by approximately 7.6% to approximately HK$7.3 million (2019: approximately HK$6.8 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 of the Group for the Period increased by approximately 17.5% to approximately HK$24.1 million (2019: approximately HK$20.5 million) as compared with that for the same period of previous year. The increase in net loss was mainly due to increase in gross loss for the Period.

Loss per Share

The basic loss per Share attributable to the owners of the Company was approximately HK0.59 cent (2019: approximately HK0.51 cent).

Prospects

It is anticipated that the coming year is a tough and challenging year to the Group, specifically the business environment in Hong Kong was adversely affected by the outbreak and wide spread of the novel coronavirus ("COVID-19") epidemic and the local social incidents in Hong Kong. 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. With the commencement of new business of promoting digital marketing activities on overseas video platform, the Group has diversified the business spectrum and broadened the revenue base of the Group.

Provision of civil engineering services

Hong Kong is facing unprecedented challenges in public health and its economy. The epidemic brings challenges to the construction industry. In order to prevent the spread of the COVID-19 epidemic, the Hong Kong Government has implemented various measures including social distancing policies, compulsory quarantine and border control measures. These measures have caused delays in certain civil engineering projects and have slowed down the construction progress. Also, given the great impact on Hong Kong's economic environment, the Group expects to face keen competition in tendering new contracts. It is foreseeable that the intensified market competition, challenges and uncertainties in the costs of staff, materials and subcontracting fees will continue to plague the Group's development in the construction industry.

Going forward, the Group expects the local construction market in 2020 to remain competitive and demanding. To enable a healthy inflow of business against current woes in the construction industry, the Group continues to implement a prudent approach in projects selection in the upcoming year by tendering to well-established contractors and remarkable business partners in both private and public sector in order to overcome the difficulties. The Group will continue to exercise due care in the pursuance of this core business so as to balance the risks and opportunities in this industry and adjust its business strategies from time to time if required.

Media and advertising business

In order to drive subscription and advertising revenues, the Group commenced to switch its focus for internet and multimedia over traditional television platform in advertising market in a view to generate synergies between them. The addition of a new sector of promoting digital marketing activities on overseas market could accelerate advertising business expansion of the Group. It is expected the new business will generate sustainable synergy with the existing resources on television broadcasting business and thereby creating a broad space for development for the Group in the media market. Looking ahead, the Group will also actively promote the synergistic operation of multiple media platforms including traditional media and other digital media. Through the provision of integrated media services to the end customers, the Group aims at reconstructing the value chain of media and advertising business and hence broadens the sources of revenue and boosts up the profit of the Group.

Looking ahead, the Group remains optimistic about the prospects of the core businesses of the Group in the long term. The Group would continue to explore any new healthy and stable industry through merger and acquisition and diversity its business in order to enhance the Group's profitability and improve the financial position and cash flow of the Group.

DIVIDENDS

The Board does not recommend the payment of any dividend for the three months ended 30 June 2020.

SHARE OPTION SCHEME

A share option scheme was adopted and approved by the shareholders of the Company on 11 August 2010. The share option scheme expired on 10 August 2020. No share options have been granted pursuant to the share option scheme during the Period.

The Board has resolved to propose the adoption of a new share option scheme for the approval by the shareholders of the Company. The purpose of the new share option scheme is to provide incentive or reward to eligible persons for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group or any entity in which the Group holds any equity interest.

The new share option scheme will constitute a share option scheme under Chapter 23 of the GEM Listing Rules. The Board will propose the new share option scheme for shareholders' approval at a general meeting of the Company to be convened in due course for the purposes of, among other things, seeking the approval from the shareholders of the Company for the adoption of the share option scheme and authorising the Board to grant the share options pursuant to the share option scheme and to allot and issue the shares of the Company pursuant to the exercise of the share options. At the date of this announcement, the new share option scheme remains subject to the obtaining of (i) the approval from the shareholders of the Company at a general meeting of the Company to be convened in due course; and (ii) the approval from the Stock Exchange for the listing and trading of any Shares to be issued under the share options that may be granted under the new share option scheme.

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 June 2020, 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 a)*	Interest in controlled corporation	69,000,000	1.70%

Note:

(a) Mr. Kan is the sole beneficial owner of Shunleetat (BVI) Limited, 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 (BVI) Limited.

Saved as disclosed above, as at 30 June 2020, 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 June 2020, 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 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)*	–	1,311,378,622 *(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 30 June 2020, 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 of the Company and their respective associates has any other connected transaction 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. 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 paragraphs A.5.1 and A.6.7 of the Code. This announcement further illustrates in detail as to how the Code was applied, inclusive of the considered reasons for any deviation throughout the Period.

As disclosed in the announcement of the Company dated 10 August 2020, Mr. Fan Chun Wah, Andrew, *JP* ("Mr. Fan") had decided to retire and did not offer himself for re-election as an independent non-executive Director due to his other business commitments which require more of his attention and dedication. Accordingly, Mr. Fan retired as an independent non-executive Director and ceased to be the chairman and a member of the risk management committee of the Company (the "Risk Management Committee"), a member of the nomination committee of the Company (the "Nomination Committee") and a member of the remuneration committee of the Company, all with effect from the conclusion of the annual general meeting held on 11 August 2020. Following the retirement of Mr. Fan which will take effect from the conclusion of the annual general meeting held on 11 August 2020, (i) there will be a vacancy for chairman of the Risk Management Committee as required under the terms of reference of the Risk Management Committee; and (ii) the Nomination Committee comprises three executive Directors and three independent non-executive Directors and accordingly, the Company no longer fulfils the requirement of establishing a nomination committee comprising a majority of independent non-executive directors under paragraph A.5.1 of the Code as set out in Appendix 15 to the GEM Listing Rules. As such, the Company will actively look for a suitable candidate to fill the vacancy as soon as practicable, and will make further announcement(s) as and when appropriate.

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 11 August 2020 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 June 2020, 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.

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

Hong Kong, 11 August 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. 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 date of its posting and the Company's website at http://www.cnctv.hk.