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 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.

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 2020 increased by approximately 7.0% to approximately HK$172.1 million (2019: approximately HK$160.9 million).

- Loss of the Group for the nine months ended 31 December 2020 decreased by approximately 9.3% to approximately HK$65.8 million (2019: approximately HK$72.5 million).

- Basic loss per share attributable to the owners of the Company for the nine months ended 31 December 2020 was approximately HK1.60 cents (2019: approximately HK1.79 cents).

- The Board does not recommend the payment of any dividend for the nine months ended 31 December 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 and nine months ended 31 December 2020, together with the unaudited comparative figures for the corresponding periods in 2019, as follows:

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

For the three months and nine months ended 31 December 2020

		Nine months ended 31 December		**Three months ended 31 December**	
		2020	2019	**2020**	2019
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	*4*	**172,139**	160,911	**57,027**	50,205
Cost of services		**(199,392)**	(179,684)	**(69,907)**	(58,201)
Gross loss		**(27,253)**	(18,773)	**(12,880)**	(7,996)
Other income	*5*	**10,933**	634	**4,557**	450
Other gains and losses	*6*	**99**	1,631	**(70)**	613
Amortisation expenses		**(13,800)**	(13,800)	**(4,617)**	(4,617)
Selling and distribution expenses		**(578)**	(578)	**(193)**	–
Administrative expenses		**(19,561)**	(19,470)	**(5,255)**	(5,246)
Changes in fair value of financial assets at fair value through profit or loss		**94**	(4,162)	**(24)**	(2,000)
Loss from operations	*8*	**(50,066)**	(54,518)	**(18,482)**	(18,796)
Finance costs		**(20,213)**	(21,033)	**(6,060)**	(7,149)
Loss before income tax		**(70,279)**	(75,551)	**(24,542)**	(25,945)
Income tax	*9*	**4,518**	3,052	**1,293**	958
Loss for the period		**(65,761)**	(72,499)	**(23,249)**	(24,987)
Loss for the period attributable to:					
Owners of the Company		**(65,037)**	(72,499)	**(22,986)**	(24,987)
Non-controlling interests		**(724)**	–	**(263)**	–
Loss for the period		**(65,761)**	(72,499)	**(23,249)**	(24,987)
Loss per share attributable to the owners of the Company	*11*				
– Basic and diluted *(HK cent(s))*		**(1.60)**	(1.79)	**(0.57)**	(0.62)

	Notes	Nine months ended 31 December **2020** **HK$'000**	2019 HK$'000	Three months ended 31 December **2020** **HK$'000**	2019 HK$'000
Loss for the period		**(65,761)**	(72,499)	**(23,249)**	(24,987)
Other comprehensive income/(loss):					
Items that may be classified subsequently to profit or loss:					
Exchange differences on translating foreign operations		**339**	(606)	**119**	26
Other comprehensive income/(loss) for the period, net of tax		**339**	(606)	**119**	26
Total comprehensive loss for the period		**(65,422)**	(73,105)	**(23,130)**	(24,961)
Total comprehensive loss for the period attributable to:					
Owners of the Company		**(64,698)**	(73,105)	**(22,867)**	(24,961)
Non-controlling interests		**(724)**	–	**(263)**	–
Total comprehensive loss for the period		**(65,422)**	(73,105)	**(23,130)**	(24,961)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 31 December 2020

	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 *HK$'000*	Non–controlling interests *HK$'000*	Total equity *HK$'000*
As at 1 April 2020	**4,055**	**1,238,195**	**14,400**	**(2,751)**	**2,758**	**–**	**41,214**	**(1,569,839)**	**(271,968)**	**–**	**(271,968)**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(65,037)**	**(65,037)**	**(724)**	**(65,761)**
Other comprehensive income for the period:											
Items that may be classified subsequently to profit or loss:											
Exchange differences on translating foreign operations	**–**	**–**	**–**	**339**	**–**	**–**	**–**	**–**	**339**	**–**	**339**
Total comprehensive income/(loss) for the period	**–**	**–**	**–**	**339**	**–**	**–**	**–**	**(65,037)**	**(64,698)**	**(724)**	**(65,422)**
Transfer to accumulated losses upon maturity of convertible notes	**–**	**–**	**(14,400)**	**–**	**–**	**–**	**–**	**14,400**	**–**	**–**	**–**
Deemed disposal of subsidiaries arising from capital injection from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,222)**	**(1,222)**	**2,718**	**1,496**
As at 31 December 2020 (unaudited)	**4,055**	**1,238,195**	**–**	**(2,412)**	**2,758**	**–**	**41,214**	**(1,621,698)**	**(337,888)**	**1,994**	**(335,894)**

	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 *HK$'000*	Non–controlling interests *HK$'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)	–	(166,991)
Adoption of HKFRS 16	–	–	–	–	–	–	–	(2,530)	(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)	–	(169,521)
Loss for the period	–	–	–	–	–	–	–	(72,499)	(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)	–	(606)
Total comprehensive loss for the period	–	–	–	(606)	–	–	–	(72,499)	(73,105)	–	(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)	–	(242,626)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 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 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 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 AND PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

The unaudited condensed consolidated third quarterly financial statements for the nine months ended 31 December 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 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$65,761,000 during the nine months ended 31 December 2020 and, as of that date, the Group had an unaudited net current liabilities and an unaudited net liabilities of approximately HK$331,045,000 and HK$335,894,000 respectively;

- As at 31 December 2020, the promissory note issued by the Group in principal amount of approximately HK$45,040,000 which was overdue on the reporting date but the Group has not able to obtain extension of repayment of such balance prior to the date of approval of the Quarterly Financial Statements; and

- As at 31 December 2020, the convertible notes issued by the Company in principal amount of approximately HK$257,030,000 was overdue on the reporting date.

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 2020, 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$56,417,000 as of 31 December 2020; and (3) the liabilities due to China Xinhua NNC of approximately HK$22,587,000 as of 31 December 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 Company had entered into an extension agreement with China Xinhua NNC on 25 January 2021 pursuant to which the maturity date of the convertible notes was extended to 9 December 2021 and the extended convertible notes would bear interest rate of 3% per annum. The amendment of terms and conditions will be subject to the approval by the shareholders of the Company and the Stock Exchange.

(3) The Group is in the process of negotiating with the promissory noteholder of any possible proposal regarding the potential renewal or extension of the promissory note and other feasible solutions. As at the date of approval of the Quarterly Financial Statements, the Board has approved to authorized a Director to further negotiate, sign the extension agreement and execute on behalf of the Company all acts necessary for or in connection with the potential renewal and extension of the promissory note on agreeable basis.

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

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

In the opinion of the Directors, in light of the various measures/arrangements implemented after the end of the reporting period, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to remain a commercially viable concern. Accordingly, the Directors are satisfied that it is appropriate to prepare the 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 and nine months ended 31 December 2020 and 31 December 2019 were as follows:

Over time of revenue recognition

	Nine months ended 31 December		Three months ended 31 December	
	2020	2019	**2020**	2019
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Construction works	**137,850**	156,110	**51,588**	49,271
Advertising income	**34,289**	4,801	**5,439**	934
	172,139	160,911	**57,027**	50,205

5. OTHER INCOME

Other income recognised during the three months and nine months ended 31 December 2020 and 31 December 2019 were as follows:

	Nine months ended 31 December		Three months ended 31 December	
	2020	2019	**2020**	2019
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Interest income arising from bank deposits	**328**	125	**44**	38
Interest income arising from rental deposits	**14**	28	**4**	10
Dividend income	**387**	48	**82**	11
Sundry income	**938**	433	**9**	391
Government subsidy	**9,266**	–	**4,418**	–
	10,933	634	**4,557**	450

6. OTHER GAINS AND LOSSES

Other gains and losses recognised during the three months and nine months ended 31 December 2020 and 31 December 2019 were as follows:

	Nine months ended 31 December		**Three months ended 31 December**	
	2020	2019	**2020**	2019
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Exchange (loss)/gain, net	**(352)**	391	**(152)**	(11)
Net gains on disposal of property, plant and equipment	**17**	928	**41**	592
Reversal for allowance for expected credit losses recognised for trade receivables	**380**	296	**44**	35
Reversal/(provision) for allowance for expected credit losses recognised for contract assets	**54**	16	**(3)**	(3)
	99	1,631	**(70)**	613

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 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, 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 result by reportable segment.

For the nine months ended 31 December 2020

	Provision of civil engineering services (Unaudited) *HK$'000*	Media and advertising business (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Revenue from external customers	**137,850**	**34,289**	**172,139**
Other income and gains	**10,662**	**3**	**10,665**
Reportable segment revenue	**148,512**	**34,292**	**182,804**
Reportable segment results	**(30,813)**	**(13,966)**	**(44,779)**
Unallocated corporate income			**819**
Unallocated corporate expenses			**(6,106)**
Finance costs			**(20,213)**
Loss before income tax			**(70,279)**

For the nine months ended 31 December 2019

	Provision of civil engineering services (Unaudited) *HK$'000*	Media and advertising business (Unaudited) *HK$'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)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the nine months ended 31 December 2020 and 31 December 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. 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	
	2020	2019	**2020**	2019
	(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
Depreciation of property, plant and equipment	**11,468**	14,738	**3,786**	4,476
Depreciation of right-of-use assets	**4,098**	6,189	**1,312**	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	
	2020	2019	**2020**	2019
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current tax – Hong Kong profits tax				
– current period	**313**	678	**105**	167
– over-provision in prior year	**(399)**	–	**(15)**	–
	(86)	678	**90**	167
Current tax – PRC Enterprise Income tax				
– current period	**–**	–	**–**	–
	(86)	678	**90**	167
Deferred tax				
– current period	**(4,432)**	(3,730)	**(1,383)**	(1,125)
Income tax	**(4,518)**	(3,052)	**(1,293)**	(958)

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 and nine months ended 31 December 2020 and 31 December 2019.

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 2020 and 31 December 2019.

10. DIVIDENDS

The Board does not recommend the payment of any dividend for each of the three months and nine months ended 31 December 2020 respectively (2019: 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 2020 are based on the unaudited consolidated loss of approximately HK$22,986,000 and approximately HK$65,037,000 attributable to the owners of the Company for each of the three months and nine months ended 31 December 2020 respectively (unaudited consolidated loss of three months and nine months ended 31 December 2019: approximately HK$24,987,000 and approximately HK$72,499,000 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 2020 (weighted average number of Shares in issue for the three months and nine months ended 31 December 2019: 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 2020 and 31 December 2019 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 2020 and 31 December 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 31 December 2020 (Unaudited)	500,000,000,000	500,000
Issued and fully paid:		
As at 1 April 2020 and 31 December 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 nine months ended 31 December 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 eleven contracts. Among these contracts, two are related to provision of waterworks engineering services and the remaining contracts are related to provision of drainage services and site formation services. Details of the contracts undertaken are set out below:

	Contract number	**Particulars of contract**
Main contracts	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
	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
	PYC-03084BAH-001	Site Formation, Foundation & Sub-structure Works for the Student Residence Development at The Hong Kong University of Science and Technology
	ND/2018/02	The Establishment of an Agricultural Park in Kwu Tung South (Phase 1)

	Contract number	Particulars of contract
Joint operations	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
	CV/2016/10	Site Formation and Association Infrastructural Works For Development of Columbarium at Sandy Ridge Cemetery
	ND/2018/02	The Establishment of an Agricultural Park in Kwu Tung South (Phase 1)
	4/WSD/19	Development of Anderson Road Quarry site – construction of grey water treatment plant
	CV/2019/04	Site Formation and Infrastructure Works Near Tsz Tin Road and Hing Fu Street in Area 54, Tuen Mun

Among the above eleven contracts, four contracts (contract numbered ND/2018/02, 4/WSD/19, CV/2019/04 and PYC-03084BAH-001) were newly awarded during the Period.

During the Period, a contract with contract numbered CV/2016/10 was the main contributors to the Group's revenue, which generated approximately HK$82.2 million, constituting approximately 47.8% of the Group's total revenue.

Media and advertising business

In 2020, the rapid spread of the COVID-19 pandemic caused city lockdowns and suspension of work, production and transportation throughout the world. The Group promotes digital marketing activities on overseas video platform during the Period to broaden its revenue base. The attempts to promote digital media business further expand the Group's development to a new chapter. The Group will continue to co-operate with different partners and diversify to various media platforms.

Looking ahead, the Group will seize the opportunities in the booming advertising sector to step up investments in the advertising market, seeking to tap on new customers, businesses and revenue streams for delivering better returns to its shareholders of the Company.

Financial Review

Revenue

For the Period, the Group reported revenue of approximately HK$172.1 million (2019: approximately HK$160.9 million), representing an increase of approximately 7.0% 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 80.1% and 19.9% of the Group's total revenue respectively. The slightly increase in revenue was mainly due to the net impact of (i) increase in advertising income from commencement of digital marketing business and (ii) slightly decrease in revenue in construction works 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 jointly controlled operator. The revenue generated from undertaking in a capacity of a subcontractor and a jointly controlled operator amounted to approximately HK$126.4 million (2019: approximately HK$137.7 million), representing approximately 73.4% (2019: approximately 85.6%) 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$11.5 million (2019: approximately HK$18.4 million), representing approximately 6.7% (2019: approximately 11.4%) 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 6.1 times to approximately HK$34.3 million (2019: approximately HK$4.8 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 for the Period increased by approximately 11.0% to approximately HK$199.4 million (2019: approximately HK$179.7 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 of the Group for the Period increased by approximately 45.2% to approximately HK$27.3 million (2019: approximately HK$18.8 million) as compared with that for the same period of the previous year. The gross loss margin of the Group was amounted to approximately 15.8% for the Period (2019: approximately 11.7%). 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 16.2 times to approximately HK$10.9 million (2019: approximately HK$0.6 million) as compared with that for the same period of the previous year. The other income mainly consisted of interest income and government grants received regarding to novel coronavirus (COVID-19) epidemic during the Period.

Other gains and losses

The Group's other gains and losses for the Period decreased by approximately 93.9% to approximately HK$99,000 (2019: approximately HK$1.6 million) as compared with that for the same period of the previous year. Other gains and losses mainly consisted of net exchange loss and 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 was amounted to approximately HK$13.8 million (2019: approximately HK$13.8 million). The amortisation expenses mainly consisted of amortisation of television broadcasting right for the television broadcasting business included in media and advertising business.

Administrative expenses

The Group's administrative expenses for the Period increased by approximately 0.5% to approximately HK$19.6 million (2019: approximately HK$19.5 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.

Finance costs

The Group's finance costs for the Period decreased by approximately 3.9% to approximately HK$20.2 million (2019: approximately HK$21.0 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 of the Group for the Period decreased by approximately 9.3% to approximately HK$65.8 million (2019: approximately HK$72.5 million) as compared with that for the same period of the previous year. The decrease in net loss was mainly due to increase in advertising income from commencement of digital marketing business and the government grant received regarding to novel coronavirus (COVID-19) epidemic during the Period.

Loss per Share

The basic loss per Share attributable to the owners of the Company for the Period was approximately HK1.60 cents (2019: approximately HK1.79 cents).

Prospects

The Period had been filled with much uncertainty; the unforeseen novel coronavirus ("COVID-19") outbreak had severely disrupted the local and international economies in unprecedented ways, and its impacts on the economy in the near future are not to be undermined. 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 recent political tension in Hong Kong and the impact due to COVID-19 the outbreak. 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 media and advertising 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

The COVID-19 has posed a threat to the global economy as well as to the Hong Kong 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. As anticipated, sizable tenders of civil engineering projects are scarce. The intense market competition has led to fewer number of successful tenders and quotations and lower value of contracts awarded to the Group. The Group's gross profit margin is also under pressure from the competitive project pricing on tenders and quotations, which in turn affect the financial performance of the Group. Also, the Group has been facing increasing costs of operation, including cost of direct labour and subcontracting charges. Therefore, the construction business in Hong Kong is expected to continue to be very challenging in the coming years.

Going forward, the Group expects the local construction market in 2020 to remain competitive and demanding. 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. In the meantime, the Group has slightly adjusted its strategy and obtained certain projects in the Period to keep up the momentum. The Group will also proactively seek for potential business opportunities that can broaden the sources of income of the Group and enhance value to the shareholders of the Company.

Media and advertising business

The COVID-19 epidemic has brought about unprecedented challenges and turmoil in the global economy. Under the current circumstances, the Group expects the media and advertising industry's prospects to remain challenging for the coming year. To tackle with the overall harsh operating environment in media industry, the Group commenced switching its focus for business related to internet and multimedia over traditional television platform. Looking ahead, the Group aims to promote brand awareness further and strengthen the variety and contents of the programmes of the Group in the future. Also, the Group will continue to integrate various resources to actively seek business opportunities that can help maintain the future development of the Group and bring better returns to the shareholders of the Company.

While it remains uncertain as to when the COVID-19 epidemic will end and the Hong Kong economy can fully recover, the Board will continue to monitor and assess the situation with respect to COVID-19, and remain committed to mitigate any adverse risk or impact COVID-19 may have on the operating and financial performance of the Group.

Dividends

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

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 31 December 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)*	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 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 31 December 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/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)*			**Percentage of aggregate interests to total issued share capital**
Name	**Beneficial owner**	**Interest in controlled corporation**	**Beneficial owner**	**Interest in controlled corporation**	**Total interests**	
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 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 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 paragraphs A.1.8, 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.

Following the retirement of Mr. Fan Chun Wah, Andrew, *JP* ("Mr. Fan") as an independent non-executive Director, Mr. Fan 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. Accordingly, (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.

Pursuant to code provision A.1.8 of the Code, the Company should arrange appropriate insurance cover in respect of legal action against its Directors. Such directors' liability insurance will be reviewed and renewed annually. Upon the expiry of existing insurance cover on 30 August 2020, the Company did not arrange appropriate insurance cover in respect of legal action against its Directors as it took time for the Company to solicit a suitable insurer at reasonable commercial terms and conditions.

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 31 December 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, 8 February 2021

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 day of its posting and the Company's website at http://www.cnctv.hk.