CNC HOLDINGS LIMITED
中國新華電視控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8356)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

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

HIGHLIGHTS

- The Group's revenue for the six months ended 30 September 2021 increased by approximately 5.6% to approximately HK$121.6 million (2020: approximately HK$115.1 million).

- Loss of the Group for the six months ended 30 September 2021 decreased by approximately 13.1% to approximately HK$37.0 million (2020: approximately HK$42.5 million).

- Basic loss per Share attributable to the owners of the Company for the six months ended 30 September 2021 was approximately HK0.90 cent (2020: approximately HK1.04 cents).

- The Board does not recommend the payment of any dividend for the six months ended 30 September 2021.

The board of Directors (the "Board") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 September 2021, together with the unaudited comparative figures for the corresponding periods in 2020, as follows:

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

For the three months and six months ended 30 September 2021

		Six months ended 30 September		**Three months ended 30 September**	
		2021	2020	**2021**	2020
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	*4*	**121,578**	115,112	**68,608**	57,986
Cost of services		**(136,553)**	(129,485)	**(75,588)**	(66,099)
Gross loss		**(14,975)**	(14,373)	**(6,980)**	(8,113)
Other income	*5*	**839**	6,376	**580**	5,512
Other (losses)/gains, net	*6*	**(1,157)**	169	**(1,287)**	(155)
Amortisation of intangible assets		**–**	(9,183)	**–**	(4,616)
Selling and distribution expenses		**(385)**	(385)	**(192)**	(192)
Administrative expenses		**(7,895)**	(14,306)	**(3,750)**	(6,092)
Changes in fair value of financial assets at fair value through profit or loss		**3,575**	118	**–**	212
Loss from operations	*8*	**(19,998)**	(31,584)	**(11,629)**	(13,444)
Finance costs	*10*	**(14,472)**	(14,153)	**(7,271)**	(6,812)
Loss before income tax		**(34,470)**	(45,737)	**(18,900)**	(20,256)
Income tax	*11*	**(2,491)**	3,225	**(1,904)**	1,833
Loss for the period		**(36,961)**	(42,512)	**(20,804)**	(18,423)

		Six months ended 30 September		Three months ended 30 September	
		2021	2020	**2021**	2020
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		**9**	220	**13**	180
Other comprehensive income for the period, net of tax		**9**	220	**13**	180
Total comprehensive loss for the period		**(36,952)**	(42,292)	**(20,791)**	(18,243)
Loss for the period attributable to:					
Owners of the Company		**(36,388)**	(42,085)	**(20,442)**	(18,238)
Non-controlling interests of the Company		**(573)**	(427)	**(362)**	(185)
		(36,961)	(42,512)	**(20,804)**	(18,423)
Total comprehensive loss for the period attributable to:					
Owners of the Company		**(36,379)**	(41,865)	**(20,429)**	(18,058)
Non-controlling interests of the Company		**(573)**	(427)	**(362)**	(185)
		(36,952)	(42,292)	**(20,791)**	(18,243)
Loss per Share attributable to the owners of the Company	*13*				
– Basic and diluted *(HK cent(s))*		**(0.90)**	(1.04)	**(0.50)**	(0.45)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2021

	Notes	**As at 30 September 2021 (Unaudited) *HK$'000***	As at 31 March 2021 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment	*14*	**22,117**	23,138
Right-of-use assets		**–**	1,106
Intangible assets	*15*	**–**	–
		22,117	24,244
Current assets			
Trade and other receivables	*16*	**97,275**	68,716
Contract assets		**15,706**	10,408
Financial assets at fair value through profit or loss		**–**	4,800
Cash and cash equivalents		**45,043**	66,743
		158,024	150,667
Total assets		**180,141**	174,911
Current liabilities			
Trade and other payables	*17*	**172,869**	150,018
Contract liabilities		**16,733**	62,613
Lease liabilities		**638**	3,371
Promissory note	*18*	**44,767**	–
Convertible notes	*19*	**253,308**	243,605
Employee benefits		**5,638**	5,638
Tax payable		**3,020**	1,060
		496,973	466,305
Net current liabilities		**(338,949)**	(315,638)
Total assets less current liabilities		**(316,832)**	(291,394)

	Notes	As at 30 September 2021 (Unaudited) HK$'000	As at 31 March 2021 (Audited) HK$'000
Non-current liabilities			
Contract liabilities		**60,676**	–
Interest payables	*17*	**–**	4,920
Lease liabilities		**–**	189
Promissory note	*18*	**–**	44,584
Deferred tax liabilities		**2,637**	2,106
		63,313	51,799
Total liabilities		**560,286**	518,104
Net liabilities		**(380,145)**	(343,193)
Capital and reserves			
Share capital	*20*	**4,055**	4,055
Reserves		**(385,538)**	(349,159)
		(381,483)	(345,104)
Non-controlling interests		**1,338**	1,911
Total Equity		**(380,145)**	(343,193)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 September 2021

	Share capital *HK$'000*	Share Premium* *HK$'000*	Capital reserves* *HK$'000*	Convertible notes equity reserves* *HK$'000*	Foreign currency translation reserves* *HK$'000*	Other reserves* *HK$'000*	Accumulated losses* *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
As at 1 April 2021	**4,055**	**1,238,195**	**2,758**	**14,400**	**(1,720)**	**41,214**	**(1,644,006)**	**(345,104)**	**1,911**	**(343,193)**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(36,388)**	**(36,388)**	**(573)**	**(36,961)**
Other comprehensive income for the period:										
Items that may be reclassified subsequently to profit or loss:										
Exchange differences on translating foreign operations	**–**	**–**	**–**	**–**	**9**	**–**	**–**	**9**	**–**	**9**
Total comprehensive income/(loss) for the period	**–**	**–**	**–**	**–**	**9**	**–**	**(36,388)**	**(36,379)**	**(573)**	**(36,952)**
As at 30 September 2021 (unaudited)	**4,055**	**1,238,195**	**2,758**	**14,400**	**(1,711)**	**41,214**	**(1,680,394)**	**(381,483)**	**1,338**	**(380,145)**
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	–	–	–	–	–	–	(42,085)	(42,085)	(427)	(42,512)
Other comprehensive income for the period:										
Items that may be reclassified subsequently to profit or loss:										
Exchange differences on translating foreign operations	–	–	–	–	220	–	–	220	–	220
Total comprehensive income/(loss) for the period	–	–	–	–	220	–	(42,085)	(41,865)	(427)	(42,292)
Changes in ownership interest of subsidiaries	–	–	–	–	–	–	(1,222)	(1,222)	2,718	1,496
As at 30 September 2020 (unaudited)	4,055	1,238,195	2,758	14,400	(2,531)	41,214	(1,613,146)	(315,055)	2,291	(312,764)

* *The aggregate amount of these balances of approximately HK$385,538,000 in deficit (31 March 2021: approximately HK$349,159,000) is included as reserves in the condensed consolidated statement of financial position.*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 September 2021

	Six months ended 30 September	
	2021	2020
	HK$'000	*HK$'000*
Net cash used in operating activities	**(23,656)**	(16,201)
Investing activities		
Purchase of property, plant and equipment	**(4,105)**	(3,534)
Other cash flows generated from investing activities	**9,018**	751
Net cash generated from/(used in) investing activities	**4,913**	(2,783)
Net cash used in financing activities	**(2,965)**	(2,592)
Net decrease in cash and cash equivalents	**(21,708)**	(21,576)
Cash and cash equivalents at the beginning of the period	**66,743**	91,196
Effects of foreign exchange rate changes	**8**	(98)
Cash and cash equivalents at the end of the period	**45,043**	69,522
Analysis of cash and cash equivalents		
Cash and bank balances	**45,043**	69,522

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

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 Flat 314, 3/F., Fuk Shing Commercial Building, 28 On Lok Mun Street, Fanling, New Territories respectively.

The Company's ordinary shares (the "Share(s)") were listed on GEM of the Stock Exchange on 30 August 2010 by way of placing.

The principal activities of the Company are investment holding. The subsidiaries are engaged in the provision of civil engineering services for the public sector in Hong Kong and 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 interim financial statements for the six months ended 30 September 2021 (the "Interim Financial Statements") have been prepared in accordance with the Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting", other relevant Hong Kong Accounting Standards, Interpretations and the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the GEM Listing Rules.

(b) Basis of preparation

The accounting policies and method of the computation used in the preparation of the Interim Financial Statements are consistent with those used in the annual report for the year ended 31 March 2021, except for those related to new standards and interpretations effective for the first time periods beginning on 1 April 2021 and expected to be reflected in the forthcoming annual financial statements.

The Interim Financial Statements have been prepared under the historical cost convention except for certain financial instruments that are measured at fair values at the end of each reporting period and are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

(c) Going Concern

In preparing the Interim Financial Statements, the Directors have given careful consideration to the future liquidity of the Group notwithstanding that:

- The Group has incurred an unaudited net loss of approximately HK$36,961,000 during the six months ended 30 September 2021 and, as of that date, the Group had unaudited net current liabilities and unaudited net liabilities of approximately HK$338,949,000 and HK$380,145,000 respectively; and

- The Group had promissory note in principal amount of approximately HK$45,040,000 which is due within the next twelve months after 30 September 2021; 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 September 2021.

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

(1) Financial support

China Xinhua News Network Co., Limited ("China Xinhua NNC"), one of the major shareholders of the Company and a convertible notes holder, has confirmed to provide financial support to the Group in a reasonable manner under relevant laws and regulatory requirements, to maintain the going concern of the Company. The financial support only refers to allow the Company to extend the repayment for the liabilities due to China Xinhua NNC to not earlier than 12 months commencing from 30 September 2021, 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$62,670,000 as of 30 September 2021; and (3) the liabilities due to China Xinhua NNC of approximately HK$24,587,000 as of 30 September 2021 in respect of annual fee for television broadcasting right, carriage fee payment and satellite transmission fee, if the repayment would cause the Company to be unable to settle its liabilities due to other parties when they fall due.

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

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

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

Should the Group be unable to continue to operate as a going concern, it may be unable to realise its assets and discharge its liabilities in the normal course of business. Adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effect of these adjustments has not been reflected in the Interim Financial Statements.

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

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:

Amendments to HKFRS 16	COVID-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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 Interim Financial Statements and/or disclosures set out in Interim Financial Statements.

4. REVENUE

Revenue recognised during the three months and six months ended 30 September 2021 and 30 September 2020 were as follows:

	Six months ended 30 September		**Three months ended 30 September**	
	2021	2020	**2021**	2020
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Construction works	**121,578**	86,262	**68,608**	41,824
Advertising income	**–**	28,850	**–**	16,162
Revenue recognised over time	**121,578**	115,112	**68,608**	57,986

5. OTHER INCOME

Other income recognised during the three months and six months ended 30 September 2021 and 30 September 2020 were as follows:

	Six months ended 30 September		Three months ended 30 September	
	2021	2020	**2021**	2020
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Interest income	**41**	294	**23**	105
Dividend income	**–**	305	**–**	305
Government subsidies	**–**	4,846	**–**	4,846
Sundry income	**798**	931	**557**	256
	839	6,376	**580**	5,512

6. OTHER (LOSSES)/GAINS, NET

Other (losses)/gains, net recognised during the three months and six months ended 30 September 2021 and 30 September 2020 were as follows:

	Six months ended 30 September		Three months ended 30 September	
	2021	2020	**2021**	2020
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Exchange gain/(loss), net	**1**	(200)	**–**	(148)
Net gains/(losses) on disposal of property, plant and equipment	**364**	(24)	**143**	(25)
(Allowance for)/reversal of expected credit losses recognised for trade receivables, net	**(1,250)**	336	**(1,221)**	(33)
(Allowance for)/reversal of expected credit losses recognised for contract assets, net	**(252)**	57	**(159)**	51
Allowance for expected credit losses recognised for other receivables, net	**(20)**	–	**(50)**	–
	(1,157)	169	**(1,287)**	(155)

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 ("CODM") in order to allocate resources to the segments and assess their performance.

Specifically, the Group's reportable segments under HKFRS 8 are as follows:

(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 segment.

For the six months ended 30 September 2021

	Provision of civil engineering services (Unaudited) *HK$'000*	Media and advertising business (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Revenue from external customers	**121,578**	**–**	**121,578**
Reportable segment results	**(20,126)**	**(1,148)**	**(21,274)**
Unallocated corporate income			**3,615**
Unallocated corporate expenses			**(2,339)**
Finance costs			**(14,472)**
Loss before income tax			**(34,470)**

For the six months ended 30 September 2020

	Provision of civil engineering services (Unaudited) *HK$'000*	Media and advertising business (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Revenue from external customers	86,262	28,850	115,112
Reportable segment results	(20,580)	(7,602)	(28,182)
Unallocated corporate income			716
Unallocated corporate expenses			(4,118)
Finance costs			(14,153)
Loss before income tax			(45,737)

There were no inter-segment sales for the six months ended 30 September 2021 and 30 September 2020.

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

Segment assets and liabilities

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

As at 30 September 2021 (Unaudited)

	Provision of civil engineering services *HK$'000*	**Media and advertising business** *HK$'000*	**Total** *HK$'000*
Segment assets	**133,122**	**1,134**	**134,256**
Unallocated			**45,885**
Consolidated assets			**180,141**
Segment liabilities	**149,154**	**33,632**	**182,786**
Unallocated			**377,500**
Consolidated liabilities			**560,286**

As at 31 March 2021 (Audited)

	Provision of civil engineering services *HK$'000*	Media and advertising business *HK$'000*	Total *HK$'000*
Segment assets	100,752	1,651	102,403
Unallocated			72,508
Consolidated assets			174,911
Segment liabilities	122,801	33,232	156,033
Unallocated			362,071
Consolidated liabilities			518,104

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than financial assets at fair value through profit or loss, cash and cash equivalents and corporate assets. Intangible assets is allocated to segment of television broadcasting business; and

- all liabilities are allocated to operating segments other than convertible notes, current and deferred tax liabilities, promissory note and corporate liabilities.

Information about major customers

Revenue from major customers during the six months ended 30 September 2021 and 30 September 2020 were as follows:

	Six months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Customer A *(note (i))*	**29,811**	42,869
Customer B *(note (i))*	**22,727**	39,550
Customer C *(note (i) and (ii))*	**38,129**	–
Customer D *(note (i) and (ii))*	**19,218**	–
Customer E *(note (iii))*	**–**	26,983
	109,885	109,402

Note:

(i) Revenue from provision of civil engineering services.

(ii) No information was disclosed as the corresponding revenue did not contribute over 10% of the Group's revenue for the six months ended 30 September 2020.

(iii) Revenue from media and advertising business.

8. LOSS FROM OPERATIONS

Loss from operations is arrived at after charging the following:

	Six months ended 30 September		Three months ended 30 September	
	2021	2020	**2021**	2020
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amortisation of intangible assets	**–**	9,183	**–**	4,616
Contract costs recognised as expense	**136,553**	104,755	**75,588**	51,290
Depreciation of property, plant and equipment	**5,940**	7,682	**2,930**	3,899
Depreciation of right-of-use assets	**46**	2,786	**6**	1,307
Staff costs *(note 9)*	**41,352**	40,617	**20,697**	20,727

9. STAFF COSTS

	Six months ended 30 September		Three months ended 30 September	
	2021	2020	**2021**	2020
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Staff costs (including Directors' remuneration) comprise:				
Wages, salaries and other benefits	**40,437**	40,070	**20,122**	20,120
Contribution to defined contribution retirement plan	**915**	547	**575**	607
	41,352	40,617	**20,697**	20,727

10. FINANCE COSTS

	Six months ended 30 September		Three months ended 30 September	
	2021	2020	**2021**	2020
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Interests on:				
Lease liabilities	**43**	108	**16**	49
Promissory note	**860**	719	**433**	–
Convertible notes	**13,569**	13,326	**6,822**	6,763
	14,472	14,153	**7,271**	6,812

11. INCOME TAX

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

	Six months ended 30 September		Three months ended 30 September	
	2021	2020	**2021**	2020
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current tax – Hong Kong profits tax				
– Provision for the period	**1,977**	208	**1,500**	109
– (over)/under-provision in respect of prior years	**(17)**	(384)	**9**	18
	1,960	(176)	**1,509**	127
Current tax – PRC Enterprise Income tax				
– Provision for the period	**–**	–	**–**	–
	1,960	(176)	**1,509**	127
Deferred tax				
– Provision for the period	**531**	(3,049)	**395**	(1,960)
Income tax charged/(credit)	**2,491**	(3,225)	**1,904**	(1,833)

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 six months ended 30 September 2021 and 30 September 2020.

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

No provision for PRC Enterprise Income tax has been made as the subsidiary incorporated in the PRC had no assessable profits arising in the PRC during each of three months and six months ended 30 September 2021 and 30 September 2020.

12. DIVIDENDS

The Board does not recommend the payment of any dividend for each of the three months and six months ended 30 September 2021 respectively (2020: nil).

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

The calculations of basic loss per Share for the three months and six months ended 30 September 2021 is based on the unaudited consolidated loss of approximately HK$20,442,000 and approximately HK$36,388,000 attributable to the owners of the Company for each of the three months and six months ended 30 September 2021 respectively (three months and six months ended 30 September 2020: approximately HK$18,238,000 and approximately HK$42,085,000 respectively) and the weighted average number of 4,055,349,947 Shares and 4,055,349,947 Shares in issue for the three months and six months ended 30 September 2021 respectively (weighted average number of Shares in issue for the three months and six months ended 30 September 2020: 4,055,349,947 Shares and 4,055,349,947 Shares respectively) as if they had been in issue throughout the periods.

Diluted loss per share for the three months and six months ended 30 September 2021 and 30 September 2020 are the same as the basic loss per share. The computation of diluted loss per share for the three months and six months ended 30 September 2021 and 30 September 2020 does not assume the Company's outstanding convertible notes since the assumed conversion of convertible notes would result in a decrease in loss per share.

14. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2021, the Group acquired items of property, plant and equipment with aggregate cost of approximately HK$4,105,000 (six months ended 30 September 2020: approximately HK$3,534,000). During the six months ended 30 September 2021, items of property, plant and equipment with carrying value of approximately HK$247,000 were disposed of (six months ended 30 September 2020: approximately HK$176,000).

15. INTANGIBLE ASSETS

	As at 30 September 2021 (Unaudited) *HK$'000*	As at 31 March 2021 (Audited) *HK$'000*
Cost:		
At 1 April 2020, 31 March 2021, 1 April 2021 and 30 September 2021	**567,000**	567,000
Accumulated amortisation and impairment:		
At the beginning of period/year	**567,000**	541,005
Amortisation for the period/year	**–**	18,316
Impairment loss for the year	**–**	7,679
At the end of period/year	**567,000**	567,000
Carrying amount at end of period/year	**–**	–

Intangible assets represent television broadcasting right acquired by the Group. The useful life of television broadcasting right was 10 years and was expired on 31 August 2021. Due to the continuous loss making in the television broadcasting business for previous years, the intangible assets had been fully impaired for the year ended 31 March 2021.

16. TRADE AND OTHER RECEIVABLES

	As at 30 September 2021 (Unaudited) *HK$'000*	As at 31 March 2021 (Audited) *HK$'000*
Trade receivables *(Note (i))*	**62,204**	31,557
Allowance for expected credit losses ("ECL")	**(13,042)**	(11,792)
	49,162	19,765
Other receivables	**5,667**	5,229
Allowance for expected credit losses ("ECL")	**(117)**	(97)
	5,550	5,132
Prepayment *(Note (ii))*	**37,383**	38,731
Deposits	**5,180**	5,088
	42,563	43,819
	97,275	68,716

Notes:

(i) Trade receivables as at the end of the reporting period mainly derived from provision of construction works on civil engineering contracts. The related customers are mainly government department/organisation and reputable corporations. The Group does not hold any collateral over these balances.

An aging analysis of the trade receivables as of the end of the reporting period, based on the invoice date and net of allowance of expected credit losses ("ECL"), is as follows:

	As at 30 September 2021 (Unaudited) ***HK$'000***	As at 31 March 2021 (Audited) *HK$'000*
Current or less than 1 month	**49,162**	19,765

The Group grants an average credit period of 30 days to its trade customers of contract works. Application for progress payments of contract works is made on a regular basis.

Movements in the allowance for ECL of trade receivables

The following table shows movement in lifetime ECL that has been recognised for trade receivables in accordance with simplified approach.

	HK$'000
Balance at 1 April 2020	11,866
Reversal of allowance of ECL, net	(74)
Balance at 31 March 2021	11,792
Allowance of ECL	1,250
Balance at 30 September 2021	13,042

(ii) As at 30 September 2021, prepayments mainly comprised of advance payment to subcontractors of approximately HK$31,301,000 (31 March 2021: HK$30,674,000).

17. TRADE AND OTHER PAYABLES

	As at 30 September 2021 (Unaudited)	As at 31 March 2021 (Audited)
	HK$'000	*HK$'000*
Trade payables	**20,544**	9,948
Retention money payables	**10,327**	9,113
Amount due to a shareholder *(note (i))*	**24,587**	23,337
Interest payables	**68,267**	63,724
Amount due to a related party *(note (ii))*	**2,009**	2,009
Other payables and accruals *(note (iii))*	**47,135**	46,807
	172,869	154,938
Less: payables within twelve months shown under current liabilities	**172,869**	(150,018)
Interest payables shown under non-current liabilities	**–**	4,920

Notes:

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

(ii) Amount due to a related party represents amount due to 新華音像中心. 新華音像中心 and China Xinhua NNC have a common shareholder, Xinhua News Agency (新華社). The amount is unsecured, interest-free and repayable on demand.

(iii) As at 30 September 2021, the other payables mainly comprised of amount due to other parties of joint operations of approximately HK$908,000 (31 March 2021: HK$10,161,000). The amounts are unsecured, interest-free and repayable on demand.

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

	As at 30 September 2021 (Unaudited) ***HK$'000***	As at 31 March 2021 (Audited) *HK$'000*
Current or less than 1 month	**20,260**	9,027
1 to 3 months	**47**	117
More than 3 months but less than 12 months	**–**	250
More than 12 months	**237**	554
	20,544	9,948

18. PROMISSORY NOTE

A promissory note with a principal amount of HK$45,040,000 was issued by Profit Station Limited ("Profit Station"), a direct wholly-owned subsidiary of the Company on 11 August 2011 (the "Issue Date") upon the completion of the acquisition of 17% of equity interests in China New Media (HK) Company Limited. The promissory note is unsecured, carried interest at the rate of 3% per annum and matured on 11 August 2014. Profit Station might early redeem all or part of the promissory note at any time from the Issue Date. Unless previously redeemed, Profit Station will redeem the promissory note on its maturity date.

On 11 August 2014, Profit Station has entered into the first extension agreement with the noteholder of the promissory note pursuant to which the maturity date of the promissory note was extended from 11 August 2014 to 11 August 2017 and the extended promissory note will be non-interest bearing with effect from 11 August 2014 till 11 August 2017. Furthermore, the noteholder has agreed to waive the interest accrued on the promissory note amounting to approximately HK$4,054,000 for the period from 11 August 2011 to 11 August 2014. Except the abovementioned, other terms and conditions of the promissory note remained unchanged.

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

On 15 February 2019 (the "Third Renewal Date"), Profit Station has entered into the third extension agreement with the noteholder of the promissory note pursuant to which the maturity date of the promissory note was extended from 31 December 2018 to 30 June 2020 and the extended promissory note will bear interest of 3% per annum with effect from 11 August 2017 till 30 June 2020. Except the abovementioned, other terms and conditions of the promissory note remained unchanged.

On Third Renewal Date, the fair value of the liability component of the extended promissory note was reassessed and calculated using an equivalent market interest rate for an equivalent instrument at the Third Renewal Date. The fair value of the extended promissory note at the Third Renewal Date amounted to approximately HK$43,101,000. The fair value is calculated using discounted cash flow method at a rate of 9.707%.

On 9 March 2021 (the "Fourth Renewal Date"), Profit Station has entered into the fourth extension agreement with the noteholder of the promissory note pursuant to which the maturity date of the promissory note was extended from 30 June 2020 to 30 June 2022 and the extended promissory note will bear interest of 3% per annum with effect from 11 August 2017 till 30 June 2022. Except the abovementioned, other terms and conditions of the promissory note remains unchanged.

On Fourth Renewal Date, the fair value of the liability component of the extended promissory note was reassessed and calculated using an equivalent market interest rate for an equivalent instrument at the Fourth Renewal Date. The fair value of the extended promissory note at the Fourth Renewal Date amounted to approximately HK$45,491,000. The fair value is calculated using discounted cash flow method at a rate of 10.18%.

	As at 30 September 2021 (Unaudited) ***HK$'000***	As at 31 March 2021 (Audited) *HK$'000*
Balance at the beginning of the reporting period/year	**44,584**	44,658
Loss arising on extension of promissory note	**–**	451
Interest charged at effective interest rate of 9.707%	**–**	719
Interest charged at effective interest rate of 10.18%	**860**	107
Interest payables	**(677)**	(1,351)
Balance at the end of the reporting period/year	**44,767**	44,584

19. CONVERTIBLE NOTES

On 9 December 2011, the Company issued convertible notes with the principal amount of approximately HK$607,030,000, carried interest at the rate of 5% per annum as part of the consideration for the acquisition of Xinhua TV Asia-Pacific Operating Co., Limited ("Xinhua TV Asia-Pacific"). Each note entitles the holder to convert to ordinary shares at a conversion price of approximately HK$0.196 per share. Conversion might occur at any time between 9 December 2011 and 8 December 2014. If the notes have not been converted, the Company would redeem on 9 December 2014 at the outstanding principal amount. Interest of 5% per annum would be paid annually until the notes are converted or redeemed.

On 9 December 2014, the Company entered into the first supplemental deed with China Xinhua NNC, the sole holder of the outstanding convertible notes, pursuant to which the Company and China Xinhua NNC agreed to amend certain terms and conditions of the convertible notes, where (i) the maturity date of the convertible notes will be extended for 3 years and the conversion period will accordingly be extended for 3 years to 9 December 2017; and (ii) the interest rate of the convertible notes will be amended from 5% per annum to 3% per annum for the extended period, being from 9 December 2014 to 9 December 2017.

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

On 9 December 2018, the Company entered into the third supplemental deed with China Xinhua NNC, the sole holder of the outstanding convertible notes, pursuant to which the Company and China Xinhua NNC agreed to amend the term and condition of the convertible notes, where the maturity date of the convertible notes will be extended for 2 years and the conversion period will accordingly be extended for 2 years to 9 December 2020. Except the abovementioned, other terms and conditions of the convertible notes remain unchanged.

On 25 January 2021, the Company entered into the fourth supplemental deed with China Xinhua NNC, the sole holder of the outstanding convertible notes, pursuant to which the Company and China Xinhua NNC agreed to amend the term and condition of the convertible notes, where the maturity date of the convertible notes will be extended for 1 year and the conversion period will accordingly be extended for 1 year to 9 December 2021. Except the abovementioned, other terms and conditions of the convertible notes remain unchanged.

The convertible notes contain two components, liability component and equity component. The equity component is presented in equity heading "convertible notes equity reserves". The effective interest rate of the liability component is 10.795% from 9 December 2018 to 9 December 2020 and 11.27% from 9 December 2020 to 9 December 2021 respectively.

	As at 30 September 2021 (Unaudited) *HK$'000*	As at 31 March 2021 (Audited) *HK$'000*
Equity component		
Balance at the beginning and end of the reporting period/year	**14,400**	14,400

	As at 30 September 2021 (Unaudited) *HK$'000*	As at 31 March 2021 (Audited) *HK$'000*
Liability component		
At the beginning of the reporting period/year	**243,605**	242,990
Interest charged calculated at an effective interest rate of 10.795%	**–**	19,350
Interest charged calculated at an effective interest rate of 11.27%	**13,568**	5,887
Modification on extension of convertible notes	**–**	(16,925)
Interest payables	**(3,865)**	(7,697)
Balance at the end of the reporting period/year	**253,308**	243,605

20. SHARE CAPITAL

Ordinary shares of HK$0.001 each

	Number of Shares	Nominal value *HK$'000*
Authorised:		
As at 1 April 2021 and 30 September 2021 (unaudited)	500,000,000,000	500,000
Issued and fully paid:		
As at 1 April 2021 and 30 September 2021 (Unaudited)	4,055,349,947	4,055

21. MATERIAL RELATED PARTY TRANSACTIONS

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

Related party relationship	**Type of transaction**	**Transaction amount**			
		Six months ended 30 September		**Three months ended 30 September**	
		2021	2020	**2021**	2020
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
China Xinhua NNC	Annual fee for television broadcasting right *(note (i))*	**1,250**	1,500	**500**	750
	Accrued interests on convertible notes *(note (ii))*	**3,865**	3,855	**1,943**	1,933

Notes:

(i) Pursuant to the agreement signed between the Group and China Xinhua NNC on 5 September 2011, China Xinhua NNC granted the television broadcasting right to Xinhua TV Asia-Pacific for the period from 1 September 2011 to 31 August 2021 on an exclusive basis with an annual fee of approximately HK$1,000,000 payable by Xinhua TV Asia-Pacific to China Xinhua NNC prior to 31 December 2016, and approximately HK$3,000,000 payable by Xinhua TV Asia-Pacific to China Xinhua NNC with effect from 1 January 2017. The agreement had expired on 31 August 2021.

(ii) During the six months ended 30 September 2021, the convertible notes interest payable to China Xinhua NNC was amounted to approximately HK$3,865,000 (six months ended 30 September 2020: approximately HK$3,855,000).

The Directors considered that the above related party transactions were conducted on normal commercial terms and in the ordinary and usual course of the Group's business.

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active markets are determined with reference to quoted market bid prices and ask prices respectively.

- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

- The fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the Interim Financial Statements approximate to their fair values.

Fair value measurements recognised in the condensed consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	As at 30 September 2021 (Unaudited)			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Financial assets at fair value through profit or loss	**–**	**–**	**–**	**–**

	As at 31 March 2021(Audited)			
	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at fair value through profit or loss	4,800	–	–	4,800

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 six months ended 30 September 2021 (the "Period"), the Group continued to focus on rendering civil engineering services for the public sector in Hong Kong, conducted its television broadcasting business and explored digital marketing business opportunities on overseas market in return for advertising and related income.

Provision of civil engineering services

During the Period, the Group has been undertaking ten contracts. Among the ten 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	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
	PYC-03084BAH-001	Site Formation, Foundation & Substructure Works for the Student Residence Development at The Hong Kong University of Science and Technology
	ND/2018/02	The Establishment of an Agricultural Pak in Kwu Tung South (Phase 1)
	1002EM19A	Design-Build-Operate for the Additional District Cooling System (DCS) at the Kai Tak Development (KTD)
	EP/SP/10/91	South East-New Territories (SENT) Landfill Extension
Joint Operations	ND/2018/02	The Establishment of an Agricultural Pak 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 ten contracts, a contract (contract numbered EP/SP/10/91) were newly awarded during the Period. During the Period, the two contracts with contract numbered CV/2016/10 and 4/WSD/19 were the main contributors to the Group's revenue, which generated approximately HK$44.8 million and HK$38.1 million, constituting approximately 36.8% and 31.4% of the Group's revenue respectively.

Media and advertising business

The global business environment remains challenging for the first half of 2021 as affected by the prolonged adverse impact of the novel corona virus ("COVID-19") pandemic. The Group's media and advertising business continues experiencing a challenging operating environment including but not limited to overall contraction of the advertising market, keener competition in a crowded marketplace with different operators and changing user habits as a result of the fast development of new media. To cope with the weak advertising customer demands and keep in pace with the industry trends, the Group attempts to make business transformation through seeking for opportunities to cooperate with different partners in the sectors and transforming its media and advertising business from conventional television platforms to various internet and digital platforms. The Group will explore new business opportunities that may create synergetic value with existing media and advertising business to expand its revenue streams.

Going forward, the Group will continue to improve the operational efficiency of each business division and actively optimise its existing resources so as to enhance the profitability and the core competitiveness of the Group to cope with the current challenges and bring favourable returns to the shareholders of the Company.

Financial Review

Revenue

During the Period, the Group reported a revenue of approximately HK$121.6 million (2020: approximately HK$115.1 million), representing an increase of approximately 5.6% as compared with that for the same period of the previous year. All of the Group's revenue were derived from provision of civil engineering services during the Period. The Group derived aggregate advertising revenue of approximately HK$nil (2020: approximately HK$28.9 million) from media and advertising business for the Period. The increase in revenue was mainly due to increase in work from newly awarded civil engineering projects 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 revenue generated from undertaking in capacity of a subcontractor and a jointly controlled operator amounted to approximately HK$121.6 million (2020: approximately HK$77.7 million), representing approximately 100.0% of the total revenue for the Period (2020: approximately 67.5%). On the other hand, the revenue generated from the undertaking of civil engineering contracts in the capacity of a main contractor amounted to approximately HK$nil (2020: approximately HK$8.5 million), representing approximately nil% (2020: approximately 7.4%) of the total revenue for the Period.

Cost of services

The Group's cost of services increased by approximately 5.5% to approximately HK$136.6 million for the Period (2020: approximately HK$129.5 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.

Gross loss

The gross loss of the Group for the Period increased by approximately 4.2% to approximately HK$15.0 million (2020: approximately HK$14.4 million) as compared with that for the same period of the previous year. The gross loss margin of the Group was amounted to approximately 12.3% for the Period (2020: approximately 12.5%). The slightly 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; and (b) unexpected complexity arising from construction works for certain construction projects of the Group during the Period and towards the completion stage; and (iv) decrease in advertising income and its gross profit arose during the Period.

Other income

The Group's other income for the Period decreased by approximately 86.8% to approximately HK$0.8 million (2020: approximately HK$6.4 million) as compared with that for the same period of the previous year. The other income mainly consisted of interest income and other sundry income for the Period.

Other (losses)/gains,net

The Group's other losses, net for the Period was approximately HK$1.2 million (2020: other gains, net of approximately HK$0.2 million). Other losses, net mainly consisted of allowance of expected credit losses recognised for trade receivables and contract assets and net gains on disposal of property, plant and equipment for the Period.

Amortisation of intangible assets

The Group's amortisation of intangible assets for the Period was amounted to approximately HK$nil (2020: approximately HK$9.2 million) as the intangible assets had been fully impaired for the year ended 31 March 2021. The amortisation of intangible assets mainly consisted of amortisation of television broadcasting right and film rights 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 were amounted to approximately HK$0.4 million (2020: approximately HK$0.4 million). 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 decreased by approximately 44.8% to approximately HK$7.9 million (2020: approximately HK$14.3 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 2.3% to approximately HK$14.5 million (2020: approximately HK$14.2 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 decreased by approximately 13.1% to approximately HK$37.0 million (2020: approximately HK$42.5 million) as compared with that for the same period of the previous year. The decrease in net loss was mainly due to decrease in amortisation of intangible assets and administrative expenses during the Period.

Loss per Share

The basic loss per Share attributable to the owners of the Company was approximately HK0.9 cent (2020: approximately HK1.04 cents).

Prospects

Amid the complex business environment in Hong Kong affected by the novel corona virus ("COVID-19") outbreak, it is anticipated that the coming year is a tough and challenging year to the Group. The provision of civil engineering service business will continue to provide a stable revenue source and remain the major contributor to revenue while the Group will continue to develop its media and advertising business. The Group is endeavoured to diversify the business spectrum and broadened the revenue base of the Group.

Provision of civil engineering services

The general outlook of the construction industry and the business environment remain difficult and challenging. The persistent outbreak of COVID-19 epidemic has affected the overall progress of civil engineering projects of the construction industry. Couple with the intense market competition in recent years, it has led to lower value of contracts awarded to the Group and the keen competition in the market may affect the tendering activities of the construction industry such as more aggressive and competitive project pricing strategy adopted for new tenders. Together with the increasing costs of operation, including cost of direct labour, subcontracting charges and cost of raw material, it may post negative impact on the Group's gross profit margin and affect the financial performance of the Group.

To enable a healthy inflow of business against current difficulties 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 closely monitor the tendering projects available in the market and pay close attention to any new infrastructure projects implemented by the government to seek for suitable tendering opportunities. The Group will keep focusing on its existing business and further enhance its competitive edge in the industry. At the same time, the Group will look for appropriate projects that are in line with the overall development strategy of the Group and 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 so as to adapt to the ever changing business environment.

Media and advertising business

The media and advertising industry is experiencing complex and challenging business environment given the impact of COVID-19 pandemic, the fast-development of new media platforms and the changing customers' habit. To effectively respond to the fast-changing media environment globally, the Group has adjusted its development strategy to switch its focus from traditional television platform to internet and multimedia platforms and attempts to expand its media and advertising business scopes to generate synergies between various platforms. In the future, the Group will continue to integrate multiple resources to seek for business opportunities that can help maintain the future development of the Group and enhance the Group's profitability and improve the financial position of the Group.

Looking ahead, amid these challenging times, the Group remains optimistic about the prospects of the core businesses of the Group in the long term. The Group will continue to explore any new healthy and stable industry and diversity of its business profile to bring better returns to the shareholders of the Company.

Capital Structure

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

Total equity attributable to the owners of the Company amounted to approximately HK$381.5 million in deficit as at 30 September 2021 (31 March 2021: approximately HK$345.1 million). The decrease in equity was mainly resulted from net loss for the Period.

Liquidity and Financial Resources

During the Period, the Group generally financed its operations through internally generated cash flows.

As at 30 September 2021, the Group had net current liabilities of approximately HK$338.9 million (31 March 2021: approximately HK$315.6 million), including cash balance of approximately HK$45.0 million (31 March 2021: approximately HK$66.7 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 0.32 as at 30 September 2021 (31 March 2021: approximately 0.32).

Gearing Ratio

The gearing ratio, which is based on the total amount of promissory note and convertible notes, lease liabilities and advance received from customers divided by total assets, was approximately 207.9% as at 30 September 2021 (31 March 2021: approximately 202.6%).

Foreign Exchange Exposure

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

Capital Commitment

As at 30 September 2021, the Group did not have any significant capital commitment (as at 31 March 2021: nil).

Charges on the Group's Assets

As at 30 September 2021, the Group did not have any assets charged under finance lease. As at 31 March 2021, the Group's motor vehicles with net book values of approximately HK$1.1 million was held under finance lease.

Contingent Liabilities

As at 30 September 2021, the Group did not have any material contingent liabilities (31 March 2021: Nil).

Dividends

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

Information on Employees

As at 30 September 2021, the Group had 237 full-time employees in Hong Kong and over 90% of them are direct labour. Total staff costs (including Directors' remuneration) for the Period amounted to approximately HK$41.4 million (2021: approximately HK$40.6 million), representing an increase of approximately 1.8% over that for the previous year.

Remuneration is determined with reference to the nature of job, performance, qualifications and experience of individual employees, as well as the result of the Group and the market trend. The Group carries out staff performance appraisal once a year and the assessment result is used for salary reviews and promotion decisions. The Group recognises the importance of staff training and thus regularly provides internal and external training for its staff to enhance their skills and knowledge.

Significant Investment Held

Except for investment in subsidiaries, during the Period and as at the end of the reporting period, the Group did not hold any significant investment in equity interest in any company.

Future Plans for Material Investments and Capital Assets

As at 30 September 2021, the Group did not have other plans for material investments and capital assets (31 March 2021: Nil).

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the Period, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

Share Option Scheme

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 September 2021, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Cap. 571, Laws of Hong Kong) ("SFO")) which have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO); or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

Long position in the Shares:

Name	Capacity/Nature of interest	Number of Shares held	Percentage of aggregate interests to total issued share capital
Mr. Kan Kwok Cheung ("Mr. Kan") *(Note)*	Interest in controlled corporation	69,000,000	1.70%

Note: Mr. Kan is the sole beneficial owner of Shunleetat (BVI) Limited, 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 September 2021, none of the Directors and chief executive of the Company had any other interests or short positions in any Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as was known to the Directors, as at 30 September 2021, the following persons/entities (other than the Directors or chief executive of the Company) had, or are deemed to have, interests or short positions in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who/which were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or who/which were recorded in the register required to be kept by the Company under Section 336 of the SFO with details as follows:

Long position in the Shares:

	Number of Shares held		Number of underlying Shares under convertible notes *(Note a)*			
Name	**Beneficial owner**	**Interest in controlled corporation**	**Beneficial owner**	**Interest in controlled corporation**	**Total interests**	**Percentage of aggregate interests to total issued share capital**
China Xinhua NNC	1,188,621,377 *(Note b)*	–	1,311,378,622 *(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, 16 January 2019 and 18 May 2021.

(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 September 2021, 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 the continuing connected transaction:

Television Broadcasting Right Agreement

On 5 September 2011, Xinhua TV Asia-Pacific entered into a television broadcasting right agreement (the "Television Broadcasting Right Agreement") with China Xinhua NNC, pursuant to which China Xinhua NNC granted the television broadcasting right in respect of broadcasting information contents from Xinhua News Agency under the CNC Channels on television channels in the Asia-Pacific region (excluding the PRC) to the Group for an annual fee of 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. The Television Broadcasting Right Agreement had expired on 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.

The Board wishes to inform the shareholders and potential investors of the Company that upon expiry of the Television Broadcasting Right Agreement on 31 August 2021, Xinhua TV Asia-Pacific and China Xinhua NNC has yet to conclude on the renewal of a new agreement due to the delay in the commencement of negotiations. Notwithstanding the expiration of the Television Broadcasting Right Agreement, Xinhua TV Asia-Pacific and China Xinhua NNC are in discussion for a renewal up to the date of this announcement. However, there is no assurance that Xinhua TV Asia-Pacific and China Xinhua NNC will be able to conclude on the renewal of a new agreement at any time.

The Board considers that the termination of the Television Broadcasting Right Agreement may lead to the decrease in revenue of the Group. Further announcement(s) will be made by the Company to keep the shareholders and potential investors of the Company informed of the progress of the renewal of a new agreement or termination of services as and when appropriate.

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 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. Accordingly, (i) there is 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 the 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 extraordinary general meeting of the Company held on 11 June 2021 due to overseas commitment and pre-arranged business engagements. Other Board members and the chairmen of the relevant Board committees also attended the extraordinary general meeting to inter-face with, and answer questions from the Shareholders.

A non-executive Director, namely Ms. Tang Li, did not attend the annual general meeting of the Company held on 11 August 2021 due to overseas commitment and pre-arranged business engagements. Other Board members, the chairmen of the relevant Board committees and the external auditor of the Company also attended the annual general meeting to inter-face with, and answer questions from the Shareholders.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established on 11 August 2010 with terms of reference in compliance with paragraph C.3.3 of the Code. The primary duties of the Audit Committee include, among other things, reviewing and supervising the financial reporting process and internal control systems, as well as the overall risk management of the Group, reviewing the financial statements and the quarterly, interim and annual reports of the Group, and reviewing the terms of engagement and scope of audit work of the external auditors.

As at 30 September 2021, 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, 12 November 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.