



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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2024

CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED

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

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This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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.

FINANCIAL HIGHLIGHTS

Consolidated Results

For the year ended 31 March

	Changes	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Revenue	-5.5%	468,963	496,457
Gross profit	428.2%	18,063	3,420
Loss before income tax	25.0%	(9,677)	(12,906)
Loss attributable to the owners of the Company	1.2%	(9,324)	(9,440)
Basic loss per Share (<i>HK cents</i>)	1.2%	(23.0)	(23.3)
Dividend per Share (<i>HK cents</i>)	N/A	N/A	N/A

Consolidated Financial Position

As at 31 March

	Changes	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Total assets	-10.8%	218,960	245,543
Cash and cash equivalents	-6.6%	48,222	51,619
Total liabilities	-2.8%	622,390	640,349
Equity attributable to the owners of the Company	-2.2%	(405,113)	(396,277)

Ratios

As at 31 March

	2024	2023
Return on equity (<i>Note a</i>)	N/A	N/A
Return on assets (<i>Note b</i>)	-4.2%	-3.9%
Current ratio (<i>Note c</i>)	0.33 time	0.37 time
Gearing ratio (<i>Note d</i>)	176.7%	160.8%

Notes:

- Return on equity is calculated as net loss divided by Shareholders' equity.
- Return on assets is calculated as net loss divided by total assets.
- Current ratio is calculated as total current assets divided by total current liabilities.
- Gearing ratio is calculated as total amount of promissory note, convertible notes, lease liabilities and contract liabilities divided by total assets.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company”	CNC Holdings Limited (中國新華電視控股有限公司), a company incorporated in the Cayman Islands with limited liability on 15 March 2010
“Director(s)”	director(s) of the Company from time to time
“Financial Statements”	the audited financial statements of the Group for the year ended 31 March 2024
“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Government”	the Government of Hong Kong
“Group”	the Company and its subsidiaries
“HK\$” and “HK cent(s)”	Hong Kong dollar(s) and cent(s), respectively, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Macau”	the Macau Special Administrative Region of the PRC
“Mr. Kan”	Mr. Kan Kwok Cheung (簡國祥), an executive Director and the controlling shareholder of the Company
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau and Taiwan

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended or otherwise modified from time to time
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“WSD”	Water Supplies Department (水務署) of the Government
“%”	per cent

The Board is pleased to present the consolidated results of the Group for the year ended 31 March 2024 together with the comparative figures for 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2024

	<i>Notes</i>	2024 HK\$'000	2023 HK\$'000
Revenue	4	468,963	496,457
Cost of services		(450,900)	(493,037)
Gross profit		18,063	3,420
Other income	5	2,984	4,603
Other (losses)/gains, net	6	(1,097)	7,435
Administrative and operating expenses		(17,629)	(15,181)
Profit from operations	8	2,321	277
Finance costs	9	(11,998)	(13,183)
Loss before income tax		(9,677)	(12,906)
Income tax credit	10	565	3,449
Loss for the year		(9,112)	(9,457)
Other comprehensive income/(loss)			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations		488	(41)
Total comprehensive loss for the year		(8,624)	(9,498)

	<i>Notes</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
(Loss)/profit for the year attributable to:			
– Owners of the Company		(9,324)	(9,440)
– Non-controlling interest		212	(17)
		<u>(9,112)</u>	<u>(9,457)</u>
Total comprehensive (loss)/income for the year attributable to			
– Owners of the Company		(8,836)	(9,481)
– Non-controlling interest		212	(17)
		<u>(8,624)</u>	<u>(9,498)</u>
			(restated)
Loss per share attributable to owners of the Company			
– Basic and diluted (<i>HK cents</i>)	<i>12</i>	<u>(23.0)</u>	<u>(23.3)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2024

	<i>Notes</i>	2024 HK\$'000	2023 HK\$'000
Non-current assets			
Property, plant and equipment		12,810	16,635
Right-of-use assets		3,746	11,465
		<u>16,556</u>	<u>28,100</u>
Current assets			
Trade and other receivables	<i>13</i>	103,065	124,647
Contract assets		51,070	41,177
Tax recoverable		47	–
Cash and cash equivalents		48,222	51,619
		<u>202,404</u>	<u>217,443</u>
Total assets		<u>218,960</u>	<u>245,543</u>
Current liabilities			
Trade and other payables	<i>14</i>	227,800	229,928
Contract liabilities		83,933	88,790
Lease liabilities		1,735	5,558
Promissory note		44,122	–
Convertible notes		257,030	257,030
Employee benefits		6,210	6,514
Tax payable		–	133
		<u>620,830</u>	<u>587,953</u>
Net current liabilities		<u>(418,426)</u>	<u>(370,510)</u>
Total assets less current liabilities		<u>(401,870)</u>	<u>(342,410)</u>

	<i>Notes</i>	2024 HK\$'000	2023 HK\$'000
Non-current liabilities			
Interest payables	14	–	6,777
Lease liabilities		71	2,907
Promissory note		–	40,429
Deferred tax liabilities		1,489	2,283
		<u>1,560</u>	<u>52,396</u>
Total liabilities		<u>622,390</u>	<u>640,349</u>
Net liabilities		<u>(403,430)</u>	<u>(394,806)</u>
Capital and reserves			
Share capital		4,055	4,055
Reserves		(409,168)	(400,332)
		<u>(405,113)</u>	<u>(396,277)</u>
Non-controlling interests		1,683	1,471
Total equity		<u>(403,430)</u>	<u>(394,806)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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. On 29 February 2024, the substantial shareholder of the Company has been changed from China Xinhua News Networks Co., Limited (“China Xinhua NNC”) to Mr. Kan Kwok Cheung, an executive director and the shareholder of the Company. As at the date of this announcement, Mr. Kan Kwok Cheung owns 54.6% issued share capital of the Company and is the controlling shareholder of the Company.

The Shares of the Company were listed on GEM of the Stock Exchange on 30 August 2010.

The principal activities of the Company are investment holding. The principal activities of its subsidiaries are the provision of civil engineering services for the public sector in Hong Kong.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountant (“HKICPA”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 April 2023 for the preparation of the consolidated financial statements.

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two Model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

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

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies.

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund (“MPF”) – Long Service Payment (“LSP”) offsetting mechanism in Hong Kong

The Company and its subsidiary are operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee’s accrued retirement benefits derived from employers’ MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”) which abolishes the use of the accrued benefits derived from employers’ mandatory MPF contributions to offset severance payment and LSP (the “Abolition”). The Abolition will officially take effect on 1 May 2025 (the “Transition Date”). In addition, under the Amendment Ordinance, the last month’s salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

The Group considered the accrued benefits arising from employer MPF contributions that have been vested with the employee and which could be used to offset the employee’s LSP benefits as a deemed contribution by the employee towards the LSP. Historically, the Group has been applying the practical expedient in paragraph 93(b) of HKAS 19 to account for the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered.

Based on the HKICPA’s guidance, as a result of the Abolition, these contributions are no longer considered “linked solely to the employee’s service in that period” since the mandatory employer MPF contributions after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, it would not be appropriate to view the contributions as “independent of the number of years of service” and the practical expedient in paragraph 93(b) of HKAS 19 is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of HKAS 19.

Based on management’s assessment, the change has had no material impact on the Group’s financial positions and performance.

Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following amendments to HKFRSs that have been issued but not yet effective:

Amendments to HKFRS 10 And HKAS 28	Sales or Contribution of Assets between an Investor and its Associates or its Joint Venture ¹
Amendments to HKFRS 16	Lease liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ²
Amendments to HKAS 21	Lack of Exchangeability ³

¹ *Effective for annual periods beginning on or after a date to be determined.*

² *Effective for annual periods beginning on or after 1 January 2024.*

³ *Effective for annual periods beginning on or after 1 January 2025.*

The directors of the Company anticipate that the application of all amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PRESENTATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs, which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), and accounting principles generally accepted in Hong Kong. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (“GEM Listing Rules”) and by the Hong Kong Companies Ordinance.

(b) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based Payment”, leasing transactions that are accounted for in accordance with HKFRS 16 “Leases”, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of Assets”.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

(c) Going concern basis

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group notwithstanding that the Group incurred a net loss of approximately HK\$9,112,000 during the year ended 31 March 2024 and, as of that date, the Group had net current liabilities and net liabilities of approximately HK\$418,426,000 and HK\$403,430,000 respectively.

The directors of the Company adopted the going concern basis in the preparation of consolidated financial statements and implemented certain measures in order to improve the working capital and liquidity and cash flow position of the Group:

- On 15 April 2024, an aggregate of 1,666,666,667 subscription share, representing approximately 29.1% of the issued share capital of the Company as enlarged by the allotment and issue of the subscription shares immediately after the share subscription completion, were allotted and issued at the subscription price of HK\$0.012 per subscription share to Mr. Kan Kwok Cheung, an executive director and the major substantial shareholder of the Company under the Share Specific Mandate. The gross and net proceeds from share subscription are HK\$20,000,000 and approximately HK\$19,900,000, respectively, of which (i) HK\$10,355,700 has been used for the repayment of its outstanding indebtedness of the Group which includes (a) an amount of HK\$2,008,844 due to Xinhua News Agency Audio News Desk (新華音像中心), being a wholly-owned subsidiary of Xinhua News Agency (新華社) and a fellow subsidiary of China Xinhua NNC; and (b) part of outstanding broadcasting fee in the amount of HK\$8,346,856 owed to the China Xinhua NNC as a service provider to the Group; and (ii) the remaining amount of approximately HK\$9,500,000 will be used for the general working capital of the Group;

- The fifth supplemental deed of the convertible bonds of approximately HK\$257,030,000 has been effective on 15 April 2024, in which the maturity date of the convertible bonds has been extended to 9 December 2025 and the interest rate has been retrospectively reduced from 3% to 0.8% per annum. The holder of the convertible bonds shall not convert or redeem the convertible bonds before the maturity date and the holder of the convertible bonds shall mandatorily convert all of the convertible bonds into the conversion shares at the conversion price of HK\$0.196 per conversion share at the maturity date. The conversion price has been adjusted to HK\$19.6 per conversion share after the effective date of share consolidation on 19 June 2024;
- Convertible bonds of approximately HK\$64,127,855 have been issued to China Xinhua NNC on 15 April 2024. The overdue existing convertible bonds interest has been set-off against the subscription price of the convertible bonds. The maturity date of the convertible bonds is 9 December 2025 and the interest rate is 0.8% per annum. The holder of the convertible bonds shall not convert or redeem the convertible bonds before the maturity date and the holder of the convertible bonds shall mandatorily convert all of the convertible bonds into the conversion shares at the conversion price of HK\$0.196 per conversion share at the maturity date. The conversion price has been adjusted to HK\$19.6 per conversion share after the effective date of share consolidation on 19 June 2024;
- Convertible bonds of approximately HK\$16,240,000 have been issued to China Xinhua NNC on 15 April 2024. Part of the outstanding broadcasting fee owed to China Xinhua NNC has been set-off against the subscription price of the convertible bonds. The maturity date of the convertible bonds is 9 December 2025 and the interest rate is 0.8% per annum. The holder of the convertible bonds shall not convert or redeem the convertible bonds before the maturity date and the holder of the convertible bonds shall mandatorily convert all of the convertible bonds into the conversion shares at the conversion price of HK\$0.196 per conversion share at the maturity date. The conversion price has been adjusted to HK\$19.6 per conversion share after the effective date of share consolidation on 19 June 2024;
- The Company is negotiating with its promissory notes holder to extend the repayment dates of principal and the interest amounts accrued on the Promissory Notes;
- Mr. Kan Kwok Cheung, an executive director and controlling shareholder of the Company, has granted a loan facility up to HK\$60,000,000 (which has not been utilised up to date of announcement) to the Group to maintain the going concern of the Company; and
- The management is endeavoring to improve the Group's operating results and cash flows through cost control measures and will focus on the existing business of the Group by actively engaged into new construction projects.

In the opinion of the directors of the Company, 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 of the Company are satisfied that it is appropriate to prepare the consolidated 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 consolidated financial statements.

(d) Functional and presentation currency

The financial statements are presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company. All values are rounded to the nearest thousand dollars (HK\$'000) except otherwise indicated.

4. REVENUE

Revenue recognised during the years ended 31 March 2024 and 2023 were as follows:

(i) **Disaggregation of revenue from contracts with customers**

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Construction works	<u>468,963</u>	<u>496,457</u>
Revenue recognised over time	<u><u>468,963</u></u>	<u><u>496,457</u></u>

(ii) **Transaction price allocated to the remaining performance obligation for contracts with customers**

The aggregated amount of the transaction price allocated to the remaining performance obligation under the Group's existing contracts is as follow:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within one year	345,040	398,248
More than one year	<u>431,362</u>	<u>628,637</u>
Revenue recognised over time	<u><u>776,402</u></u>	<u><u>1,026,885</u></u>

This amount represents revenue expected to be recognised in the future from pre-completion construction contracts entered into by the customers with the Group.

5. OTHER INCOME

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Interest income	344	14
Government subsidies (<i>Note</i>)	234	2,561
Sundry income	<u>2,406</u>	<u>2,028</u>
	<u><u>2,984</u></u>	<u><u>4,603</u></u>

Note: During the year ended 31 March 2024, the Group recognised government grant of HK\$nil (2023: approximately HK\$2,442,000) in respect of COVID-19 related subsidies which is related to Employment Support Scheme provided by Hong Kong Government and subsidy from Construction Industry Council of approximately HK\$234,000 (2023: HK\$119,000).

6. OTHER (LOSSES)/GAINS, NET

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Exchange gain, net	20	2
Net gain on disposal of property, plant and equipment	76	1,217
Net loss on termination of lease	(1,371)	(237)
Reversal of/(allowance for) ECL recognised for trade receivables, net	262	(83)
(Allowance for)/reversal of ECL recognised for other receivables and deposits, net	(1)	122
Allowance for ECL recognised for contract assets, net	(83)	(308)
Gain on modification of promissory note	—	6,722
	<u> </u>	<u> </u>
	<u>(1,097)</u>	<u>7,435</u>

7. SEGMENT INFORMATION

The Group's segment information is presented on the basis of internal reports that are regularly reviewed by the executive directors of the Company, 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 product and service lines requires different resources as well as marketing approaches.

Segment revenue and results

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

For the year ended 31 March 2024

	Provision of civil engineering services <i>HK\$'000</i>	Media and advertising business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	<u>468,963</u>	<u>–</u>	<u>468,963</u>
Reportable segment results	<u><u>6,253</u></u>	<u><u>(167)</u></u>	<u>6,086</u>
Unallocated corporate income			332
Unallocated corporate expenses			(4,097)
Finance costs			<u>(11,998)</u>
Loss before income tax			<u><u>(9,677)</u></u>

For the year ended 31 March 2023

	Provision of civil engineering services <i>HK\$'000</i>	Media and advertising business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	<u>496,457</u>	<u>–</u>	<u>496,457</u>
Reportable segment results	<u><u>(2,474)</u></u>	<u><u>(402)</u></u>	<u>(2,876)</u>
Unallocated corporate income			6,770
Unallocated corporate expenses			(3,617)
Finance costs			<u>(13,183)</u>
Loss before income tax			<u><u>(12,906)</u></u>

There were no inter-segment sales for the years ended 31 March 2024 and 2023.

Segment profit/loss represents the profit earned/loss incurred by each segment without allocation of central administration costs, interest income, finance costs, gains on modification of promissory note and income tax expense. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

At 31 March 2024

	Provision of civil engineering services <i>HK\$'000</i>	Media and advertising business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	170,389	160	170,549
Unallocated			48,411
Consolidated assets			218,960
Segment liabilities	192,425	33,853	226,278
Unallocated			396,112
Consolidated liabilities			622,390

At 31 March 2023

	Provision of civil engineering services <i>HK\$'000</i>	Media and advertising business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	193,741	41	193,782
Unallocated			51,761
Consolidated assets			245,543
Segment liabilities	220,320	34,447	254,767
Unallocated			385,582
Consolidated liabilities			640,349

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

- all assets are allocated to operating segments other than cash and cash equivalents, tax recoverable and corporate assets; and
- all liabilities are allocated to operating segments other than convertible notes, tax payable, deferred tax liabilities, promissory note and corporate liabilities.

Other segment information

For the year ended 31 March 2024

	Provision of civil engineering services <i>HK\$'000</i>	Media and advertising business <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Additions to non-current assets	5,592	–	–	5,592
Depreciation of property, plant and equipment	7,995	–	–	7,995
Depreciation of right-of-use assets	4,057	–	–	4,057
Allowance of ECL on contract assets, net	83	–	–	83
Reversal of ECL on trade receivables, net	(262)	–	–	(262)
Allowance of ECL on other receivables and deposits, net	1	–	–	1
Net gain on disposal of property, plant and equipment	(76)	–	–	(76)
Net loss on termination of lease	1,371	–	–	1,371

For the year ended 31 March 2023

	Provision of civil engineering services <i>HK\$'000</i>	Media and advertising business <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Additions to non-current assets	18,965	–	–	18,965
Depreciation of property, plant and equipment	7,353	–	–	7,353
Depreciation of right-of-use assets	3,564	–	–	3,564
Allowance for ECL on contract assets, net	308	–	–	308
Allowance for ECL on trade receivables, net	83	–	–	83
Reversal of ECL on other receivables and deposits, net	(88)	–	(34)	(122)
Net gain on disposal of property, plant and equipment	(1,217)	–	–	(1,217)
Net loss on termination of lease	237	–	–	237

Geographical information

Revenue from external customers of the Group was all derived Hong Kong for the years ended 31 March 2024 and 2023.

All non-current assets are located in Hong Kong.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2024	2023
	HK\$'000	HK\$'000
Customer A (Note (i))	65,216	75,274
Customer B (Notes (i) and (ii))	–	92,791
Customer C (Notes (i))	148,280	135,470
Customer D (Notes (i))	119,575	99,928
	<u>119,575</u>	<u>99,928</u>

Notes:

- (i) Revenue from provision of civil engineering services.
- (ii) The corresponding revenue did not contribute over 10% of the Group's revenue for the respective year.

8. PROFIT FROM OPERATIONS

	2024	2023
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging:		
Contract costs recognised as expenses*	450,900	493,037
Auditors' remuneration	650	650
Depreciation of property, plant and equipment**	7,995	7,353
Depreciation of right-of-use assets***	4,057	3,564
Staff costs****	105,165	99,878
	<u>105,165</u>	<u>99,878</u>

* Contract costs recognised as expenses mainly include subcontracting fee of approximately HK\$251,309,000 (2023: HK\$254,792,000) and raw materials of approximately HK\$26,869,000 (2023: HK\$62,459,000).

** Depreciation of property, plant and equipment of approximately HK\$7,147,000 (2023: HK\$6,505,000) and HK\$848,000 (2023: HK\$848,000) have been separately expensed in cost of services and administrative and operating expenses respectively.

*** Depreciation of right-of-use assets of approximately HK\$2,829,000 (2023: HK\$2,911,000) and HK\$1,228,000 (2023: HK\$653,000) have been separately expensed in cost of services and administrative and operating expenses respectively.

**** Included in the staff costs, approximately HK\$101,256,000 (2023: HK\$95,684,000) was charged in cost of services.

9. FINANCE COSTS

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
Lease liabilities	369	377
Promissory note	3,918	2,708
Default interest of convertible notes	7,711	10,098
	<u>11,998</u>	<u>13,183</u>

10. INCOME TAX CREDIT

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

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
– tax for the year	229	260
– over-provision in respect of prior years	–	(4,011)
	<u>229</u>	<u>(3,751)</u>
Deferred tax		
– provision for the year	(794)	302
Income tax credit	<u>(565)</u>	<u>(3,449)</u>

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

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

Under the prevailing tax law in the PRC, the Enterprise Income Tax rate of the subsidiary of the Company incorporated in the PRC is 25% (2023: 25%).

11. DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31 March 2024 (2023: Nil).

12. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss		
Loss for the year attributable to the owners of the Company for the purpose of basic and diluted loss per share	<u><u>(9,324)</u></u>	<u><u>(9,440)</u></u>
		Number of shares
		<i>(restated)</i>
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u><u>40,553,499</u></u>	<u><u>40,553,499</u></u>

Diluted loss per share for the years ended 31 March 2024 and 2023 are the same as the basic loss per share. The weighted average number of shares for calculating basic and diluted loss per share attributable to owners of the Company for the years ended 31 March 2024 and 2023 is adjusted on the assumption that a subsequent share consolidation of every one hundred existing ordinary shares into one consolidated share have been effective in the prior and current year.

13. TRADE AND OTHER RECEIVABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade receivables (<i>Note (i)</i>)	58,317	74,051
Allowance for ECL	<u>(929)</u>	<u>(3,431)</u>
	<u>57,388</u>	<u>70,620</u>
Other receivables (<i>Notes (iii)</i>)	926	814
Deposits	3,373	3,643
Allowance for ECL	<u>(29)</u>	<u>(28)</u>
	<u>4,270</u>	<u>4,429</u>
Prepayment (<i>Note (ii)</i>)	<u>41,407</u>	<u>49,598</u>
	<u>103,065</u>	<u>124,647</u>

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 ECL, is as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Current to 1 month	45,671	56,322
More than 1 month but less than 3 months	6,108	13,826
More than 3 months but less than 12 months	<u>5,609</u>	<u>472</u>
	<u>57,388</u>	<u>70,620</u>

The Group grants an average credit period of 30 days (2023: 30 days) to its trade customers of contract works. Application for progress payments of contract works is made on a regular basis.

- (ii) As at 31 March 2024, prepayments mainly comprised advance payment to subcontractors of approximately HK\$30,079,000 (2023: HK\$34,953,000) and prepaid insurance of approximately HK\$10,458,000 (2023: HK\$14,382,000).
- (iii) As at 31 March 2024, the other receivables mainly comprised amounts due from other partners of joint operations of approximately HK\$109,000 (2023: HK\$29,000). The amounts are unsecured, interest-free and repayable on demand.

14. TRADE AND OTHER PAYABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade payables	43,128	55,467
Retention money payables	33,592	31,281
Amount due to a shareholder (<i>Note (i)</i>)	362	24,587
Interest payables (<i>Note (ii)</i>)	88,939	81,003
Amount due to related parties (<i>Note (iii)</i>)	–	2,009
Other payables and accruals (<i>Note (iv)</i>)	61,779	42,358
	<u>227,800</u>	<u>236,705</u>
<i>Less: payables within twelve months shown under current liabilities</i>	<u>(227,800)</u>	<u>(229,928)</u>
Interest payables shown under non-current liabilities	<u>–</u>	<u>6,777</u>

Notes:

- (i) As at 31 March 2024, amount due to a shareholder represents amount due to Mr. Kan Kwok Cheung which is unsecured, interest-free and repayable on demand. As at 31 March 2023, amount due to a shareholder represents amount due to the then major substantial shareholder of the Company, China Xinhua NNC, in respect of annual fee for television broadcasting right, carriage fee payment and satellite transmission fee which was unsecured, interest-free and repayable on demand.
- (ii) Interest payables represented interest of promissory note and convertible notes of approximately HK\$7,002,000 and HK\$81,937,000 (2023: HK\$6,777,000 and HK\$74,226,000) respectively. As at 31 March 2024, the Company had defaulted in repayment of principal amount of convertible notes of approximately HK\$257,030,000 (2023: HK\$257,030,000) and interest thereon of approximately HK\$81,937,000 (2023: HK\$74,226,000).
- (iii) As at 31 March 2023, amount due to related parties represented amount due to 新華音像中心, 新華音像中心 and China Xinhua NNC which have a common shareholder, Xinhua News Agency (新華社). The amount was unsecured, interest-free and repayable on demand.
- (iv) As at 31 March 2024, the other payables mainly comprised of amounts due to other parties of joint operations of approximately HK\$9,020,000 (2023: HK\$12,417,000). The amounts are unsecured, interest-free and repayable on demand.

The Group normally settles trade payables within 30 days (2023: 30 days) credit term. Based on the invoice date, ageing analysis of trade payables at the end of the reporting period is as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Current to 1 month	40,037	35,775
More than 1 month but less than 3 months	269	16,888
More than 3 months but less than 12 months	19	7
More than 12 months	2,803	2,797
	<u>43,128</u>	<u>55,467</u>

EXTRACT OF INDEPENDENT AUDITORS' REPORT

The following is an extract of the independent auditors' report on the consolidated financial statements of the Group for the year ended 31 March 2024:

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

MATERIAL UNCERTAINTY RELATING TO GOING CONCERN

We draw attention to Note 3(c) in the consolidated financial statements, which indicates that the Group incurred a net loss of approximately HK\$9,112,000 during the year ended 31 March 2024 and, as of that date, the Group had net current liabilities and net liabilities of approximately HK\$418,426,000 and HK\$403,430,000 respectively. As stated in Note 3(c), these events or conditions, along with other matters as set forth in Note 3(c), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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. During the year ended 31 March 2024, the Group continued to focus on rendering civil engineering services to the public sector in Hong Kong.

Provision of civil engineering services

During the year ended 31 March 2024, the Group has been undertaking eight contracts. Among the eight contracts, one of these is 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	Client	Contract period under main contracts	
Subcontracts				
CV/2016/10	Site Formation and Association Infrastructural Works For Development of Columbarium at Sandy Ridge Cemetery	Hsin Chong Tsun Yip Joint Venture	Dec 2017 – Jun 2021	Total contract value HK\$2,330.5 million Total amount of works certified <i>(Note)</i> HK\$1,775.7 million
PYC-03084BAH-001	Site Formation, Foundation & Sub-structure Works for the Student Residence Development at The Hong Kong University of Science and Technology	Paul Y. Construction Company Limited	Aug 2020 – Dec 2022	
ND/2018/02	The Establishment of an Agricultural Pak in Kwu Tung South (Phase 1)	Harvest – Tsun Yip Joint Venture	Oct 2020 – Oct 2022	
1002EM19A	Design-Build-Operate for the Additional District Cooling System (DCS) at the Kai Tak Development (KTD)	Paul Y – Qianhai Joint Venture	Dec 2020 – Dec 2023	
EP/SP/10/91	South East-New Territories (SENT) Landfill Extension	Paul Y. Construction & Engineering Co. Limited	July 2021 – July 2023	
Joint Operations				
ND/2018/02	The Establishment of an Agricultural Pak in Kwu Tung South (Phase 1)	Civil Engineering and Development Department of the Government	Oct 2020 – Oct 2022	
4/WSD/19	Development of Anderson Road Quarry site – construction of grey water treatment plant	WSD	Sep 2020 – Sep 2025	
CV/2019/04	Site Formation and Infrastructure Works near Tsz Tin Road and Hing Fu Street in Area 54, Tuen Mun	Civil Engineering and Development Department of the Government	Dec 2020 – Jun 2024	
CV/2022/08	Site Formation and Infrastructure Works at Area 48, Fanling	Civil Engineering and Development Department of the Government	Jan 2023 – Jan 2027	

Note: Amount of works certified is based on the certificates of payment received from client.

During the year ended 31 March 2024, contracts with contract numbered 1002EM19A and 4/WSD/19 were the main contributors to the Group's revenue, which generated approximately HK\$148.3 million and approximately HK\$119.6 million, constituting approximately 31.6% and 25.5% of the Group's total revenue respectively.

Media and advertising business

Media and advertising business remained stagnant during the year and no revenue was derived.

Financial Review

Revenue

For the year ended 31 March 2024, the Group reported a revenue of approximately HK\$469.0 million (2023: approximately HK\$496.5 million), representing a decrease of approximately 5.5% as compared with that for the previous year. All of the Group's revenue was derived from provision of civil engineering services during the year ended 31 March 2024. The decrease in revenue was mainly due to decrease in works for certain civil engineering projects at or nearly completion stage.

During the year ended 31 March 2024, the revenue of the Group was primarily generated from the undertaking of civil engineering contracts in the capacity of a subcontractor and joint ventures. The breakdown of total revenue by nature of capacity of the Group is set forth below:

	For the year ended 31 March			
	2024		2023	
	<i>HK\$'000</i>	<i>% of total</i>	<i>HK\$'000</i>	<i>% of total</i>
Main contractor	–	–	354	–
Subcontractor	278,771	59.4	321,255	64.8
Jointly controlled operations	190,192	40.6	174,848	35.2
Total	<u>468,963</u>	<u>100.0</u>	<u>496,457</u>	<u>100.0</u>

Cost of services

The Group's cost of services decreased by approximately 8.5% to approximately HK\$450.9 million (2023: approximately HK\$493.0 million) for the year ended 31 March 2024 as compared with that for the previous year. The Group's cost of services mainly includes costs of construction services. Costs of construction services mainly comprise raw materials, direct labour and subcontracting fee for services provided by the subcontractors. The decrease in cost of services was mainly due to net effect of decreased work orders for certain civil engineering projects and the overall increase in staff costs, materials and subcontracting costs from provision of civil engineering services business for the year. The following table sets out a breakdown of the Group's cost of services:

	For the year ended 31 March			
	2024		2023	
	<i>HK\$'000</i>	<i>% of total</i>	<i>HK\$'000</i>	<i>% of total</i>
Costs of construction services				
Raw materials	26,869	6.0	62,459	12.7
Direct labour	101,256	22.5	95,684	19.4
Subcontracting fee	251,309	55.7	254,792	51.7
Other direct costs	71,466	15.8	80,102	16.2
	<u>450,900</u>	<u>100.0</u>	<u>493,037</u>	<u>100.0</u>
Total	<u>450,900</u>	<u>100.0</u>	<u>493,037</u>	<u>100.0</u>

Gross profit

The gross profit for the Group for the year increased by approximately 428.2% to approximately HK\$18.1 million (2023: approximately HK\$3.4 million) for the year ended 31 March 2024 as compared with that for the previous year. The gross profit margin of the Group amounted to approximately 3.9% (2023: approximately 0.7%) for the year. The increase in gross profit was mainly due to higher gross profit margin derived from certain civil engineering projects at early stage and the implementation of operation plans by the Group to control construction costs.

Other income

The Group's other income for the year ended 31 March 2024 decreased by approximately 35.2% to approximately HK\$3.0 million (2023: approximately HK\$4.6 million) as compared with that for the previous year. The decrease in other income was mainly due to the absence of subsidies of the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Government.

Other (losses)/gains, net

The Group's other losses, net for the year ended 31 March 2024 amounted to approximately HK\$1.1 million (2023: other gains, net of approximately HK\$7.4 million). Other losses, net mainly consisted of allowance for expected credit losses recognised for contract assets and net loss on termination of lease for the Period. The decrease in other gains/(losses), net was mainly due to absence of one-off recognition of gain on modification of promissory note recognised for the previous year.

Administrative and operating expenses

The Group's administrative and operating expenses for the year ended 31 March 2024 increased by approximately 16.1% to approximately HK\$17.6 million (2023: approximately HK\$15.2 million) as compared with that for the previous year. The administrative expenses mainly consisted of auditors' remuneration, legal and professional fees, staff costs (including Directors' remuneration), depreciation expenses and rental expenses. The increase in the administrative and operating expenses was mainly due to the legal and professional fee paid in respect of resumption of trading of the shares of the Company.

Finance costs

The Group's finance costs for the year ended 31 March 2024 decreased by approximately 9.0% to approximately HK\$12.0 million (2023: approximately HK\$13.2 million) as compared with that for the previous year. The finance costs mainly consist of interest expenses for the promissory note and default interest on convertible notes.

Impairment assessment of contract assets and receivables

The Group made a reversal of expected credit losses allowance of approximately HK\$262,000 (2023: allowance of approximately HK\$83,000) and a provision of additional expected credit loss allowance of approximately HK\$83,000 (2023: approximately HK\$308,000) for trade receivables and contract assets based on the impairment assessment for the year ended 31 March 2024. According to the policy of impairment provision of receivables of the Group, the Group: (i) has decided the receivable portfolio by using aging as the credit risk characteristics, and has made provisions for doubtful debts for trade receivables and other receivables based on the aging analysis approach, and (ii) has sorted the customers against whom the provisions for doubtful debts has been made, and has estimated the expected credit loss, taking into account the recoverability of certain receivables, in order to estimate the impairment provisions for receivables.

Impairment assessment of property, plant and equipment and right-of-use assets

During the year ended 31 March 2024 and 2023, the Group estimates the recoverable amount of the property, plant and equipment and right of use assets based on higher of fair values less costs of disposal and value in use. The carrying amount of the relevant assets does not exceed the recoverable amount and no impairment has been recognised.

Net loss

The net loss of the Group for the year ended 31 March 2024 decreased by 3.7% to approximately HK\$9.1 million (2023: approximately HK\$9.5 million) as compared with that for the previous year.

Loss per Share

The basic loss per Share attributable to the owners of the Company for the year ended 31 March 2024 was approximately HK23.0 cents (2023: approximately HK23.3 cents (restated)).

Prospects

Amid the uncertain economic outlook, the provision of civil engineering service business will continue to provide a stable revenue source and remain the major contributor to the Group's revenue.

Looking ahead to the new financial year, the Group is actively participating in various contract biddings. Together with the committed work contracts on hand, the Group is cautiously optimistic about the future market conditions. The impact of tender price inflation, the competition for supply chain resources and labor shortages are expected to co-exist. To tackle the current challenges, greater attention will be needed to allocate risk fairly and have good project execution planning and procurement schedules to prevent hindrances and enhance cost efficiency. The Group has been actively monitoring market conditions and taking appropriate measures to mitigate any negative impact on the business and performance of the Group. The Group will closely monitor the projects' progress and communicate with suppliers and subcontractors, maintain close communication with customers on the latest project works schedules and arrangements. The Group will also continue to strengthen its cost control measures and resources management policies, and actively participate in tendering and bidding to maintain its market competitiveness.

The Group will carefully formulate development strategies, leveraging industry knowledge and resources, to solidify our core business and maintain our leading position in the construction industry. In addition, the Group will continue to optimise and diversify our business operations, and continue to explore or seek other appropriate business opportunities to strengthen and consolidate the Group's revenue base.

Capital Structure

The Shares were listed on GEM 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\$405.1 million in deficit as at 31 March 2024 (31 March 2023: approximately HK\$396.3 million). The decrease in equity was mainly resulted from net loss for the year.

On 15 April 2024, an aggregate of 1,666,666,667 Subscription Share, representing approximately 29.1% of the issued share capital of the Company as enlarged by the allotment and issue of the subscription shares immediately after the share subscription completion, were allotted and issued at the subscription price of HK\$0.012 per Subscription Share to Mr. Kan Kwok Cheung, an executive director and the shareholder of the Company under the Share Specific Mandate. The gross and net proceeds from Share Subscription are HK\$20,000,000 and approximately HK\$19,900,000, respectively, of which (i) HK\$10,355,700 has been used for the repayment of its outstanding indebtedness of the Group which includes (a) an amount of HK\$2,008,844 due to Xinhua News Agency Audio News Desk (新華音像中心), being a wholly-owned subsidiary of Xinhua News Agency (新華社) and a fellow subsidiary of the China Xinhua NNC; and (b) part of outstanding broadcasting fee in the amount of HK\$8,346,856 owed to the China Xinhua NNC as a service provider to the Group; and (ii) the remaining amount of approximately HK\$9,500,000 will be used for the general working capital of the Group.

Liquidity and Financial Resources

During the year ended 31 March 2024, the Group generally financed its operations through internally generated cash flows.

As at 31 March 2024, the Group had net current liabilities of approximately HK\$418.4 million (31 March 2023: approximately HK\$370.5 million), including cash balance of approximately HK\$48.2 million (31 March 2023: approximately HK\$51.6 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 0.33 as at 31 March 2024 (31 March 2023: approximately 0.37).

Gearing Ratio

The gearing ratio, which is based on the total amount of promissory note, convertible notes, lease liabilities and contract liabilities divided by total assets, was approximately 176.7% as at 31 March 2024 (31 March 2023: approximately 160.8%).

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 year ended 31 March 2024, the Group was mainly exposed to foreign currency exchange risk of Renminbi and the management mainly monitored the foreign currency exchange risk with advice from the Group's major banks.

Capital Commitment

As at 31 March 2024, the Group did not have any significant capital commitments (31 March 2023: Nil).

Charges On The Group's Assets

As at 31 March 2024, the Group's machinery with net book values amounted to approximately HK\$3.6 million (31 March 2023: approximately HK\$9.4 million) were held under finance lease.

Contingent Liabilities

As at 31 March 2024, the Group did not have any material contingent liabilities (31 March 2023: Nil).

Information On Employees

As at 31 March 2024, the Group had 237 full-time staff in Hong Kong and over 90% of them are direct labour. Total staff costs (including Directors' remuneration) for the year ended 31 March 2024 amounted to approximately HK\$105.2 million (2023: approximately HK\$99.9 million), representing an increase of approximately 5.3% over that for the previous year. The increase was mainly resulted from inflation and labor market conditions for the year.

Significant Investment Held

Except for investment in subsidiaries, during the year ended 31 March 2024 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 31 March 2024, the Group did not have other plans for material investments and capital assets.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the year ended 31 March 2024, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

PURCHASE, SALE OR REDEMPTION OF THE SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares during the year ended 31 March 2024.

CHANGE OF SUBSTANTIAL SHAREHOLDER OF THE COMPANY

On 5 February 2024, Mr. Kan Kwok Cheung, an executive Director and the shareholder of the Company and China Xinhua NNC entered into the sale and purchase agreement (the “Sale and Purchase Agreement”), pursuant to which China Xinhua NNC agreed to sell and Mr. Kan Kwok Cheung agreed to purchase a total of 1,188,621,377 shares, representing approximately 29.3% of the entire issued share capital of the Company at that time, for a total consideration of HK\$16,641,000 (equivalent to HK\$0.014 per sale share). Following the completion of the Sale and Purchase Agreement which took place on 29 February 2024, Mr. Kan Kwok Cheung became the substantial shareholder of the Company and was required under the Code on Takeovers and Mergers to make a mandatory unconditional cash offer to acquire all the issued shares (other than those already owned or agreed to be acquired by Mr. Kan Kwok Cheung) at HK\$0.014 per offer share (the “Offer”). The Offer was closed on 29 April 2024. Having made all reasonable enquiries and to the best knowledge and belief of the Board, Mr. Kan Kwok Cheung held 3,126,348,044 shares (before the share consolidation effective on 19 June 2024) after the close of Offer on 29 April 2024. Details of the change of controlling shareholder of the Company and the Offer were set out in the joint announcements dated 15 January 2024, 5 February 2024, 26 February 2024, 29 February 2024, 2 April 2024, 15 April 2024 and 29 April 2024 and the composite document dated 29 February 2024 issued by the Company. As at the date of this announcement, Mr. Kan Kwok Cheung owns 54.6% issued share capital of the Company and became the controlling shareholder of the Company.

EVENTS AFTER THE REPORTING PERIOD

- (i) On 5 February 2024, the Company, as issuer and the Mr. Kan Kwok Cheung, an executive director the shareholder of the Company, as subscriber, entered into the share subscription agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the Mr. Kan Kwok Cheung has conditionally agreed to subscribe for, an aggregate of 1,666,666,667 subscription shares at the share subscription price of HK\$0.012 per subscription share at a total consideration of HK\$20,000,000. The share subscription has been completed on 15 April 2024. The gross and net proceeds from Share Subscription are HK\$20,000,000 and approximately HK\$19,900,000, respectively, of which (i) HK\$10,355,700 has been used for the repayment of its outstanding indebtedness of the Group which includes (a) an amount of HK\$2,008,844 due to Xinhua News Agency Audio News Desk (新華音像中心), being a wholly-owned subsidiary of Xinhua News Agency (新華社) and a fellow subsidiary of the China Xinhua NNC; and (b) part of outstanding broadcasting fee in the amount of HK\$8,346,856 owed to the China Xinhua NNC as a service provider to the Group; and (ii) the remaining amount of approximately HK\$9,500,000 will be used for the general working capital of the Group.
- (ii) On 5 February 2024, the Company, as issuer, and China Xinhua NNC, as holder of the convertible bonds in principal amount of HK\$257,030,210 (the “Existing Convertible Bonds”), entered into the fifth supplemental deed (the “Fifth Supplemental Deed”) to amend certain terms of the Existing Convertible Bonds to which the maturity date of the outstanding Existing Convertible Bonds was extended to 9 December 2025. The interest rate of the Existing Convertible Bonds shall be retrospectively reduced from 3% to 0.8% per annum from 10 December 2021 to 9 December 2025. A. The Fifth Supplemental Deed has been approved by independent shareholders at the extraordinary general meeting of the Company on 8 April 2024 and the Stock Exchange. Fifth Supplemental Deed took effect on 15 April 2024.
- (iii) On 15 April 2024, the Company issued certain convertible bonds (the “Convertible Bonds A”) in the principal amount of HK\$64,127,855, which are due on 9 December 2025. Further details of the Convertible Bonds A were set out in the announcements of the Company dated 15 January 2024 and 5 February 2024 and the circular of the Company dated 15 March 2024 (the “Circular”). The holder of the Convertible Bonds A is mandatorily required to convert the outstanding principal amount of the Convertible Bonds A as at 9 December 2025 in accordance with the terms and conditions of the subscription agreement in respect of the Convertible Bonds A at initial conversion price of HK\$0.196 per conversion share. The conversion price has been adjusted to HK\$19.6 per conversion share after the effective date of share consolidation on 19 June 2024. The issuance of Convertible Bonds A has been approved by independent shareholders at the extraordinary general meeting of the Company on 8 April 2024 and the Stock Exchange. The completion of the issue of the Convertible Bonds A took place on 15 April 2024.

- (iv) On 15 April 2024, the Company issued certain convertible bonds (the “Convertible Bonds B”) in the principal amount of HK\$16,240,000, which are due on 9 December 2025. Further details of the Convertible Bonds B were set out in the announcements of the Company dated 15 January 2024 and 5 February 2024 and the Circular. The holder of the Convertible Bonds B is mandatorily required to convert the outstanding principal amount of the Convertible Bonds B as at 9 December 2025 in accordance with the terms and conditions of the subscription agreement in respect of the Convertible Bonds B at initial conversion price of HK\$0.196 per conversion share. The conversion price has been adjusted to HK\$19.6 per conversion share after the effective date of share consolidation on 19 June 2024. The issuance of Convertible Bonds B has been approved by independent shareholders at the extraordinary general meeting of the Company on 8 April 2024 and the Stock Exchange. The completion of the issue of the Convertible Bonds B took place on 15 April 2024.
- (v) On 15 April 2024, the Board resolved to approve the change of the English name and dual foreign name in Chinese of the Company from “CNC Holdings Limited 中國新華電視控股有限公司” to “Tsun Yip Holdings Limited 進業控股有限公司”. The proposed change of name has been approved by shareholders at extraordinary general meeting of the Company on 31 May 2024. The Certificate of Incorporation on Change of Name was issued by the Registrar of Companies in the Cayman Islands on 7 June 2024, certifying that the English name of the Company has been changed from “CNC Holdings Limited” to “Tsun Yip Holdings Limited” and the dual foreign name of the Company from “中國新華電視控股有限公司” to “進業控股有限公司”. As at the date of this announcement, all necessary filing procedures with the Companies Registry in Hong Kong are still underway.
- (vi) On 15 April 2024, the Board resolved to make the proposed amendments by way of adoption of a new amended and restated memorandum of association (the “Amended and Restated Memorandum”) and amended and restated articles of association (the “Amended and Restated Articles”, together with the Amended and Restated Memorandum, the “Amended and Restated Memorandum and Articles of Association”). The proposed adoption of the Amended and Restated Memorandum and Articles of Association has been approved by shareholders at extraordinary general meeting of the Company on 31 May 2024.
- (vii) The one hundred (100) to one (1) share consolidation has been approved by the shareholders at extraordinary general meeting of the Company on 17 June 2024 and became effective on 19 June 2024.

Save for disclosed above, no significant event has taken place subsequent to 31 March 2024 and up to the date of this announcement.

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 throughout the year ended 31 March 2024, except paragraphs C.1.8, C.1.6, C.2.7 and C.5.1 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 year ended 31 March 2024.

Re-compliance with Rules 5.05(1), 5.05(2), 5.36A and 5.28 of the GEM Listing Rules

Following the appointment of independent non-executive Directors on 29 February 2024, the Board has re-complied with: (i) Rule 5.05 of the GEM Listing Rules which requires the Board to include at least 3 independent non-executive Directors and at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise; (ii) Rule 5.05A of the GEM Listing Rules which requires the Company to appoint independent non-executive Directors representing at least one-third of the Board; (iii) Rule 5.28 of the GEM Listing Rules which requires the audit committee to be chaired by an independent non-executive Director and to comprise a minimum of 3 members and at least one of whom is an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required in Rule 5.05(2) of the GEM Listing Rules; (iv) Rule 5.36A of the GEM Listing Rules which requires the Company to establish a nomination committee comprising a majority of independent non-executive directors.

Pursuant to code provision C.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 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 C.2.7 of the Code provides that the chairman should at least annually hold meetings with the independent non-executive Directors without the executive Directors and non-executive Directors present. Although the chairman did not hold a meeting with the independent non-executive Directors, excluding the executive Directors and non-executive Directors during the year ended 31 March 2024, he delegated the company secretary to gather any concerns and/or questions that the independent non-executive Directors might have and report to him for setting up follow-up meetings, whenever necessary, in due course.

The Code provision C.5.1 stipulates that the board of directors should meet regularly and board meeting should be held at least four times a year at approximately quarterly intervals. During the year, due to the delay in publication of financial results and suspension of trading in share of the Company, the Board has not held regular board meetings. During the year, the Directors were provided with relevant information of the Company regarding the operation and financial performance of the Group. The Board has also made resolutions by circulation of written resolutions for all the Directors' execution from time to time. Together with the circulation of written materials to keep the Board informed throughout the year, sufficient measures had been taken to ensure that there was efficient communication among the Directors. The Board will endeavour to comply with the Code provision C.5.1 going forward.

Paragraph C.1.6 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. During the year, due to the delay in publication of financial results and suspension of trading in share of the Company, the Company failed to hold the annual general meeting within the time prescribed by the Rule 18.03 of GEM Listing Rules and the Company's Bye-laws. The Board is of the view that the aforesaid delays are one-off incidents and that the aforesaid matters had been/will be rectified eventually and the Company will endeavour to comply with the Code provision C.1.6 going forward.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") on 11 August 2010 with terms of reference in compliance with paragraph D.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.

The composition of the Audit Committee is as follows:

Independent non-executive Directors

Mr. Chin Chi Ho Stanley (*Chairman*) (*Appointed on 29 February 2024*)

Mr. Kwok Man To Paul (*appointed on 29 February 2024*)

Mr. Wong Chung Yip Kenneth (*appointed on 16 April 2024*)

Mr. Wu Guo Ming (*resigned on 16 April 2024*)

Mr. Wan Chi Keung Aaron, *BBS, JP* (*resigned on 16 April 2024*)

Non-executive Directors

Mr. Law Cheuk Hung

Ms. Tang Li (*resigned on 16 April 2024*)

SCOPE OF WORK OF AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 March 2024 as set out in the preliminary announcement have been agreed by the Group's auditors, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by HLB Hodgson Impey Cheng Limited on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cnctv.hk). The annual report of the Company for the year ended 31 March 2024 containing all the information required by the GEM Listing Rules will be despatched to the Company's shareholders and available on the above websites before 31 July 2024.

By Order of the Board
CNC Holdings Limited
Kan Kwok Cheung
Chairman and Executive Director

Hong Kong, 28 June 2024

As at the date of this announcement, the Directors are Mr. Kan Kwok Cheung¹ (Chairman), Mr. Hui Ka Tsun¹, Mr. Kan Chun Ting Max¹, Mr. Law Cheuk Hung², Mr. Chin Chi Ho Stanley³, Mr. Kwok Man To Paul³, Mr. Wong Chung Yip Kenneth³ and Mr. Lai Ah Ming Leon³.

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>.