



CNC HOLDINGS LIMITED
中國新華電視控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8356)

**THIRD QUARTERLY RESULTS ANNOUNCEMENT
FOR THE NINE MONTHS ENDED 31 DECEMBER 2021**

**CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG
KONG LIMITED (THE “STOCK EXCHANGE”)**

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Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

HIGHLIGHTS

- The Group's revenue for the nine months ended 31 December 2021 increased by approximately 27.2% to approximately HK\$219.0 million (2020: approximately HK\$172.1 million).
- Loss of the Group for the nine months ended 31 December 2021 decreased by approximately 29.4% to approximately HK\$46.4 million (2020: approximately HK\$65.8 million).
- Basic loss per share attributable to the owners of the Company for the nine months ended 31 December 2021 was approximately HK1.13 cents (2020: approximately HK1.60 cents).
- The Board does not recommend the payment of any dividend for the nine months ended 31 December 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 three months and nine months ended 31 December 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 nine months ended 31 December 2021

		Nine months ended 31 December		Three months ended 31 December	
		2021	2020	2021	2020
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	4	219,025	172,139	97,447	57,027
Cost of services		(233,626)	(199,392)	(97,073)	(69,907)
Gross (loss)/profit		(14,601)	(27,253)	374	(12,880)
Other income	5	1,609	10,933	770	4,557
Other (losses)/gains, net	6	(862)	99	295	(70)
Amortisation of intangible assets		–	(13,800)	–	(4,617)
Selling and distribution expenses		(578)	(578)	(193)	(193)
Administrative expenses		(11,698)	(19,561)	(3,803)	(5,255)
Changes in fair value of financial assets at fair value through profit or loss		3,575	94	–	(24)
Loss from operations	8	(22,555)	(50,066)	(2,557)	(18,482)
Finance costs		(20,087)	(20,213)	(5,615)	(6,060)
Loss before income tax		(42,642)	(70,279)	(8,172)	(24,542)
Income tax	9	(3,802)	4,518	(1,311)	1,293
Loss for the period		<u>(46,444)</u>	<u>(65,761)</u>	<u>(9,483)</u>	<u>(23,249)</u>
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		9	339	–	119
Other comprehensive income for the period, net of tax		<u>9</u>	<u>339</u>	<u>–</u>	<u>119</u>
Total comprehensive loss for the period		<u>(46,435)</u>	<u>(65,422)</u>	<u>(9,483)</u>	<u>(23,130)</u>

	<i>Notes</i>	Nine months ended		Three months ended	
		31 December		31 December	
		2021	2020	2021	2020
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period attributable to:					
Owners of the Company		(45,794)	(65,037)	(9,406)	(22,986)
Non-controlling interests of the Company		(650)	(724)	(77)	(263)
		<u>(46,444)</u>	<u>(65,761)</u>	<u>(9,483)</u>	<u>(23,249)</u>
Total comprehensive loss for					
the period attributable to:					
Owners of the Company		(45,785)	(64,698)	(9,406)	(22,867)
Non-controlling interests of the Company		(650)	(724)	(77)	(263)
		<u>(46,435)</u>	<u>(65,422)</u>	<u>(9,483)</u>	<u>(23,130)</u>
Loss per Share attributable to					
the owners of the Company	<i>11</i>				
– Basic and diluted (<i>HK cent(s)</i>)		<u>(1.13)</u>	<u>(1.60)</u>	<u>(0.23)</u>	<u>(0.57)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 31 December 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	-	-	-	-	-	-	(45,794)	(45,794)	(650)	(46,444)
Other comprehensive income for the period: <i>Items that may be reclassified subsequently to profit or loss:</i>										
Exchange differences on translating foreign operations	-	-	-	-	9	-	-	9	-	9
Total comprehensive income/(loss) for the period	-	-	-	-	9	-	(45,794)	(45,785)	(650)	(46,435)
As at 31 December 2021 (unaudited)	<u>4,055</u>	<u>1,238,195</u>	<u>2,758</u>	<u>14,400</u>	<u>(1,711)</u>	<u>41,214</u>	<u>(1,689,800)</u>	<u>(390,889)</u>	<u>1,261</u>	<u>(389,628)</u>
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	-	-	-	-	-	-	(65,037)	(65,037)	(724)	(65,761)
Other comprehensive income for the period: <i>Items that may be classified subsequently to profit or loss:</i>										
Exchange differences on translating foreign operations	-	-	-	-	339	-	-	339	-	339
Total comprehensive income/(loss) for the period	-	-	-	-	339	-	(65,037)	(64,698)	(724)	(65,422)
Transfer to accumulated losses upon maturity of convertible notes	-	-	-	(14,400)	-	-	14,400	-	-	-
Changes in ownership interest of subsidiaries	-	-	-	-	-	-	(1,222)	(1,222)	2,718	1,496
As at 31 December 2020 (unaudited)	<u>4,055</u>	<u>1,238,195</u>	<u>2,758</u>	<u>-</u>	<u>(2,412)</u>	<u>41,214</u>	<u>(1,621,698)</u>	<u>(337,888)</u>	<u>1,994</u>	<u>(335,894)</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 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 activity of the Company is investment holding. The subsidiaries are engaged in the provision of civil engineering services for the public sector in Hong Kong and media and advertising business comprising television broadcasting business in the Asia-Pacific region (excluding the People's Republic of China (the "PRC")) and digital marketing business on overseas market in return for advertising and related revenue.

2. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

The unaudited condensed consolidated third quarterly financial statements for the nine months ended 31 December 2021 (the "Quarterly Financial Statements") have been prepared to comply with the disclosure requirements of the GEM Listing Rules.

(b) Basis of preparation

The accounting policies and method of the computation used in the preparation of the Quarterly Financial Statements are consistent with those used in the annual report for the year ended 31 March 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 as disclosed below.

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

(c) **Going concern**

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

- The Group has incurred an unaudited net loss of approximately HK\$46,444,000 during the nine months ended 31 December 2021 and, as of that date, the Group had an unaudited net current liabilities and an unaudited net liabilities of approximately HK\$345,495,000 and HK\$389,628,000 respectively;
- As at 31 December 2021, the convertible notes issued by the Company in the principal amount of approximately HK\$257,030,000 were overdue on the reporting date. The Company is in the process of negotiating with the outstanding convertible notes holder for any possible proposals regarding the potential renewal or extension of the convertible notes and other feasible solutions; and
- The Group had promissory note in principal amount of approximately HK\$45,040,000 which is due within the next twelve months after 31 December 2021.

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

- (1) China Xinhua News Network Co., Limited (“China Xinhua NNC”), one of the major shareholders of the Company and the sole outstanding convertible notes holder, has confirmed to provide financial support to the Group in a reasonable manner under relevant laws and regulatory requirements, to maintain the going concern of the Company. The financial support only refers to allow the Company to extend the repayment for the liabilities due to China Xinhua NNC to not earlier than 12 months commencing from 31 December 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\$64,128,000 as of 31 December 2021; and (3) the liabilities due to China Xinhua NNC of approximately HK\$24,587,000 as of 31 December 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 to raise new capital by carrying out fund raising activities including but not limited to rights issue, open offer and placing of new shares.
- (3) The Group will implement operation plans to control costs and generate adequate cash flows from the Group’s operation.

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

Should the Group be unable to continue to operate as a going concern, 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 Quarterly Financial Statements.

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

In the current period, the Group has applied, for the first time, the following new and amendments to Hong Kong Accounting Standards (“HKASs”) and Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) that are relevant for the preparation of the Group’s unaudited condensed consolidated financial statements:

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

4. REVENUE

Revenue recognised during the three months and nine months ended 31 December 2021 and 31 December 2020 were as follows:

	Nine months ended		Three months ended	
	31 December		31 December	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Construction works	219,025	137,850	97,447	51,588
Advertising income	–	34,289	–	5,439
Revenue recognised over time	<u>219,025</u>	<u>172,139</u>	<u>97,447</u>	<u>57,027</u>

5. OTHER INCOME

Other income recognised during the three months and nine months ended 31 December 2021 and 31 December 2020 were as follows:

	Nine months ended		Three months ended	
	31 December		31 December	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income	81	342	40	48
Dividend income	–	387	–	82
Government subsidies	–	9,266	–	4,418
Sundry income	1,528	938	730	9
	<u>1,609</u>	<u>10,933</u>	<u>770</u>	<u>4,557</u>

6. OTHER (LOSSES)/GAINS, NET

Other (losses)/gains, net recognised during the three months and nine months ended 31 December 2021 and 31 December 2020 were as follows:

	Nine months ended		Three months ended	
	31 December		31 December	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Exchange gain/(loss), net	2	(352)	1	(152)
Net gains on disposal				
of property, plant and equipment	454	17	90	41
(Allowance for)/reversal of expected credit losses recognised for trade receivables	(866)	380	384	44
(Allowance for)/reversal of expected credit losses recognised for contract assets	(389)	54	(137)	(3)
Allowance for expected credit losses recognised for other receivables, net	(63)	–	(43)	–
	<u>(862)</u>	<u>99</u>	<u>295</u>	<u>(70)</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, 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, drainage services and site formation works for public sector in Hong Kong; and
- (ii) Media and advertising business – (a) the business of broadcasting television programmes on television channels operated by television broadcasting companies in the Asia-Pacific region (excluding the PRC) and (b) business of promoting digital marketing activities on overseas video platform in return for advertising and related revenue.

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

Segment revenue and results

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

For the nine months ended 31 December 2021

	Provision of civil engineering services (Unaudited) HK\$'000	Media and advertising business (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Revenue from external customers	219,025	–	219,025
Reportable segment results	(21,455)	(1,507)	(22,962)
Unallocated corporate income			3,654
Unallocated corporate expenses			(3,247)
Finance costs			(20,087)
Loss before income tax			(42,642)

For the nine months ended 31 December 2020

	Provision of civil engineering services (Unaudited) <i>HK\$'000</i>	Media and advertising business (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Revenue from external customers	<u>137,850</u>	<u>34,289</u>	<u>172,139</u>
Reportable segment results	<u>(30,813)</u>	<u>(13,966)</u>	<u>(44,779)</u>
Unallocated corporate income			819
Unallocated corporate expenses			(6,106)
Finance costs			<u>(20,213)</u>
Loss before income tax			<u><u>(70,279)</u></u>

There were no inter-segment sales for the nine months ended 31 December 2021 and 31 December 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, changes in fair value of financial assets at fair value through profit or loss and income tax. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

8. LOSS FROM OPERATIONS

Loss from operations is arrived at after charging the following:

	Nine months ended		Three months ended	
	31 December		31 December	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amortisation of intangible assets	–	13,800	–	4,617
Depreciation of property, plant and equipment	8,770	11,468	2,830	3,786
Depreciation of right-of-use assets	46	4,098	–	1,312
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

9. INCOME TAX

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

	Nine months ended		Three months ended	
	31 December		31 December	
	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	3,152	313	1,175	105
– over provision in respect of prior years	<u>(20)</u>	<u>(399)</u>	<u>(3)</u>	<u>(15)</u>
	3,132	(86)	1,172	90
Current tax – PRC Enterprise Income tax				
– provision for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
	3,132	(86)	1,172	90
Deferred tax				
– provision for the period	<u>670</u>	<u>(4,432)</u>	<u>139</u>	<u>(1,383)</u>
Income tax charged/(credit)	<u>3,802</u>	<u>(4,518)</u>	<u>1,311</u>	<u>(1,293)</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment.) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of assessable profits of qualifying corporations will be taxed at 8.25% and assessable profits above HK\$2,000,000 will be taxed at 16.5%. The assessable profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% for the three months and nine months ended 31 December 2021 and 31 December 2020.

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

No provision for PRC Enterprise Income tax has been made as the subsidiary incorporated in the PRC has no assessable profits arising in the PRC during each of three months and nine months ended 31 December 2021 and 31 December 2020.

10. DIVIDENDS

The Board does not recommend the payment of any dividend for each of the three months and nine months ended 31 December 2021 respectively (2020: Nil).

11. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculations of basic loss per Share for the three months and nine months ended 31 December 2021 are based on the unaudited consolidated loss of approximately HK\$9,406,000 and approximately HK\$45,794,000 attributable to the owners of the Company for each of the three months and nine months ended 31 December 2021 respectively (three months and nine months ended 31 December 2020: approximately HK\$22,986,000 and approximately HK\$65,037,000 respectively) and the weighted average number of 4,055,349,947 Shares and 4,055,349,947 Shares in issue for the three months and nine months ended 31 December 2021 (weighted average number of Shares in issue for the three months and nine months ended 31 December 2020: 4,055,349,947 and 4,055,349,947 respectively) as if they had been in issue throughout the periods.

Diluted loss per Share for the three months and nine months ended 31 December 2021 and 31 December 2020 are the same as the basis loss per share. The computation of diluted loss per share for the three months and nine months ended 31 December 2021 and 31 December 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.

12. SHARE CAPITAL

	Number of Shares	Nominal value <i>HK\$'000</i>
Authorised:		
As at 1 April 2021 and 31 December 2021 (Unaudited)	<u>500,000,000,000</u>	<u>500,000</u>
Issued and fully paid:		
As at 1 April 2021 and 31 December 2021 (Unaudited)	<u>4,055,349,947</u>	<u>4,055</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is principally engaged in the provision of civil engineering services for the public sector in Hong Kong and media and advertising business comprising television broadcasting business in the Asia-Pacific region (excluding the PRC) and digital marketing business on overseas market in return for advertising and related revenue. During the nine months ended 31 December 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 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
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 Park 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

	Contract number	Particulars of contract
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\$73.2 million and HK\$58.9 million, constituting approximately 33.4% and 26.9% of the Group's revenue respectively.

Media and advertising business

In 2021, the global pandemic of novel corona virus ("COVID-19") persisted as mutated variants of the virus continued to emerge and spread over the world. The global business environment was adversely impacted by the prolonged global pandemic. The Group's media and advertising business continues experiencing a challenging operating environment; in particular, the rapid development and ever-changing new media and overall contraction of the advertising market with intense competition in a crowded marketplace have resulted in a difficult business environment for the Group to derive its advertising revenue. Aiming to address the challenges of weak advertising customer demands and to keep in pace with the industry trends, the Group has adjusted its business strategy and attempted 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.

Looking ahead, the Group will continue to explore new business opportunities which can bring in value to the shareholders of the Company and at the same time improve the existing operational efficiency of each business division and actively optimise its resources so as to enhance the profitability and the core competitiveness of the Group.

Financial Review

Revenue

During the Period, the Group reported revenue of approximately HK\$219.0 million (2020: approximately HK\$172.1 million), representing an increase of approximately 27.2% 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\$34.3 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 jointly controlled operator. The revenue generated from undertaking in a capacity of a subcontractor and a jointly controlled operator amounted to approximately HK\$219.0 million (2020: approximately HK\$126.4 million), representing approximately 100.0% (2020: approximately 73.4%) of the total revenue for the Period. On the other hand, the revenue generated from the undertaking of civil engineering contracts in the capacity of a main contractor amounted to approximately HK\$nil (2020: approximately HK\$11.5 million), representing approximately nil% (2020: approximately 6.7%) of the total revenue for the Period.

Cost of services

The Group's cost of services for the Period increased by approximately 17.2% to approximately HK\$233.6 million (2020: approximately HK\$199.4 million) as compared with that for the same period of the previous year. The Group's cost of services mainly includes costs of construction services and costs of media and advertising business. 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 decreased by approximately 46.4% to approximately HK\$14.6 million (2020: approximately HK\$27.3 million) as compared with that for the same period of the previous year. The gross loss margin of the Group was amounted to approximately 6.7% for the Period (2020: approximately 15.8%). The decrease in gross loss was mainly due to the increase in work from certain newly awarded civil engineering projects which were in early working stage with higher gross profit margin and the implementation of operation plans by the Group to control construction costs.

Other income

The Group's other income for the Period decreased by approximately 85.3% to approximately HK\$1.6 million (2020: approximately HK\$10.9 million) as compared with that for the same period of the previous year. The decrease in other income was mainly due to the government grant received regarding to novel coronavirus (COVID-19) epidemic in the previous year.

Other (losses)/gains, net

The Group's other (losses)/gains, net for the Period was amounted to approximately HK\$862,000 (2020: other gains, net of approximately HK\$99,000). Other losses, net mainly consisted of allowance for 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\$13.8 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 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\$0.6 million (2020: approximately HK\$0.6 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 40.2% to approximately HK\$11.7 million (2020: approximately HK\$19.6 million) as compared with that for the same period of the previous year. The administrative expenses mainly consisted of legal and professional fees, staff costs (including Directors' remuneration), depreciation expenses and rental expenses.

Finance costs

The Group's finance costs for the Period decreased by approximately 0.6% to approximately HK\$20.1 million (2020: approximately HK\$20.2 million) as compared with that for the same period of the previous year. The finance costs mainly consist of interest expenses for the promissory note and convertible notes.

Net Loss

The net loss of the Group for the Period decreased by approximately 29.4% to approximately HK\$46.4 million (2020: approximately HK\$65.8 million) as compared with that for the same period of the previous year. The decrease in net loss was mainly due to decrease in gross loss and 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 HK1.13 cents (2020: approximately HK1.60 cents).

Prospects

The global outbreak of novel corona virus ("COVID-19") is expected to be persistent in the coming year. The global and local economy and business environment remain complex and uncertain. Amid the difficult 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 while the Group will continue its effort in developing its media and advertising business. The Group will retain the strategy of diversifying the business spectrum and broadening the revenue base of the Group in face of the challenges ahead.

Provision of civil engineering services

As the Covid-19 pandemic continues to be the main troubles in most economies and industries, the general outlook of the construction industry and the business environment remain difficult and challenging. Notwithstanding Hong Kong Government's blueprint and plan to develop new residential and commercial center in coming decades which will involve numerous large scale infrastructure and construction engineering projects, the intense market competition and rising construction costs remain the major challenges for the construction industry. The rising material costs due to global supply chain disruption and the increase in manpower and other operation costs during the past years have put pressure on the operational and financial performance of construction projects. Couple with the intense market competition, 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. Overall it may result in decline in the gross profit margin and post negative impact on the overall profitability and financial performance of the Group.

To tackle the difficulties and challenges in the construction industry, the Group intends to keep the current team structure and resources in place strategically and at the same time actively implementing tight costs-saving measures and closely monitoring the construction procedures and operation to improve the efficiency and effectiveness of project management. In view of the keen competition, the Group will implement a prudent approach in projects selection in the upcoming years by tendering to well-established contractors and remarkable business partners in both private and public sector. 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 review its tendering strategy based on the prevailing market situations.

The Group will continue to exercise due care in the pursuance of this core business and further enhance its competitive edge in the industry. The Group will adjust its business strategies from time to time if required and look for appropriate projects that are in line with the overall development strategy of the Group.

Media and advertising business

The pro-longed COVID-19 pandemic, the fast-development of new media advertising platforms and the changing customers' habits and preferences have led to a difficult operating environment for the Group's media and advertising business. These challenges are expected to persist in the coming years and will post an adverse impact on the performance of this business segment. To effectively respond to the tough operating environment in media industry, the Group has adjusted its development strategy to switch its focus from traditional television advertising platform to internet and multimedia advertising platforms and attempts to pursue cooperation with reputable business partners in the media industry to expand its media and advertising business scopes so as to generate synergies between various platforms. In the future, the Group will continue to promote the brand awareness and integrate multiple resources to seek for business opportunities that can help maintain the future development of the Group and improve the profitability and financial performance of the Group.

Notwithstanding the challenging time in the future, the Group remains prudently optimistic about the prospects of the core businesses of the Group in the long term. The Group will continue to develop its existing businesses and at the same time make its best endeavor to explore any new and healthy opportunities and diversify its business profile to generate synergy between different business segments and bring better values to the shareholders of the Company.

Dividends

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

Share Option Scheme

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

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

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 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 Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO")) which have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO); or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

Long position in the Shares:

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

Note: Mr. Kan is the sole beneficial owner of Shunleetat (BVI) Limited ("Shunleetat"), which was interested in 69,000,000 Shares. Under the SFO, Mr. Kan is deemed to be interested in all the Shares held by Shunleetat.

Saved as disclosed above, as at 31 December 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 31 December 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 and underlying Shares:

Name	Number of Shares held		Number of underlying Shares under convertible notes (Note a)		Total interests	Percentage of aggregate interests to total issued share capital
	Beneficial owner	Interest in controlled corporation	Beneficial owner	Interest in controlled corporation		
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 31 December 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 continuing connected transactions:

Television Broadcasting Right Agreement

On 5 September 2011, Xinhua TV Asia-Pacific operating Co., Limited (“Xinhua TV Asia-Pacific”) entered into a television broadcasting right agreement (the “Television Broadcasting Right Agreement”) with China Xinhua NNC, pursuant to which China Xinhua NNC granted the television broadcasting right in respect of broadcasting information contents from Xinhua News Agency under the CNC Channels on television channels in the Asia-Pacific region (excluding the PRC) to the Group for an annual fee of approximately HK\$1.0 million prior to 31 December 2016 and approximately HK\$3.0 million with effective from 1 January 2017. The Television Broadcasting Right Agreement has a term of 120 months from 1 September 2011 to 31 August 2021. Since China Xinhua NNC is a substantial shareholder of the Company, and therefore a connected person of the Company within the meaning of the GEM Listing Rules, the transactions contemplated under the Television Broadcasting Right Agreement constitute continuing connected transactions for the Company pursuant to Chapter 20 of the GEM Listing Rules.

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 expiration 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 changes in Board composition with effect from the conclusion of the annual general meeting held on 11 August 2020 as disclosed in the announcements of the Company dated 10 August 2020 and 11 August 2020, (i) there is a vacancy for chairman of the risk management committee (the “Risk Management Committee”) of the Company as required under the terms of reference of the Risk Management Committee; and (ii) the nomination committee of the Company 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 during the Period. And as at the date of this announcement, the Company does not fulfil the requirement of establishing a nomination committee comprising a majority of independent non-executive directors under Rule 5.36A of the GEM Listing Rules.

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

Paragraph A.6.7 of the Code requires that independent non-executive directors and non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. A non-executive Director, namely Ms. Tang Li, did not attend the 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 31 December 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, 14 February 2022

*As at the date of this announcement, the Directors are Dr. Jiang Yan¹ (Chairman), Dr. Li Yong Sheng¹ (Vice Chairman and Chief Executive Officer), Mr. Liu Da Yong¹, Mr. Kan Kwok Cheung¹, Ms. Tang Li², Mr. Law Cheuk Hung², Mr. Wu Guo Ming³, Mr. Wan Chi Keung, Aaron, *BBS, JP*³ and Mr. Wong Chung Yip, Kenneth³.*

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>.