



**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 2022**

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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	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	70.6%	<b>408,175</b>	239,233
Gross loss	-67.5%	<b>(9,356)</b>	(28,820)
Loss before income tax	-47.0%	<b>(42,059)</b>	(79,350)
Loss attributable to the owners of the Company	-42.8%	<b>(41,729)</b>	(72,946)
Basic loss per Share ( <i>HK cents</i> )	-42.8%	<b>(1.03)</b>	(1.80)
Dividend per Share ( <i>HK cents</i> )	N/A	<b>N/A</b>	N/A

## Consolidated Financial Position

As at 31 March

	Changes	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Total assets	22.1%	<b>213,481</b>	174,911
Cash and cash equivalents	-36.2%	<b>42,560</b>	66,743
Total liabilities	15.6%	<b>598,789</b>	518,104
Equity attributable to the owners of the Company	-12.1%	<b>(386,796)</b>	(345,104)

## Ratios

As at 31 March

	2022	2021
Return on equity ( <i>Note a</i> )	<b>N/A</b>	N/A
Return on assets ( <i>Note b</i> )	<b>-19.7%</b>	-42.2%
Current ratio ( <i>Note c</i> )	<b>0.32 time</b>	0.32 time
Gearing ratio ( <i>Note d</i> )	<b>173.8%</b>	202.6%

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:

<b>“Board”</b>	the board of Directors
<b>“BVI”</b>	the British Virgin Islands
<b>“China Xinhua NNC”</b>	China Xinhua News Network Co., Limited (中國新華新聞電視網有限公司), a company incorporated in Hong Kong and a wholly-owned subsidiary of Xinhua News Agency (新華社) and a Shareholder of the Company
<b>“CNC China”</b>	中國新華新聞電視網有限公司, a company incorporated in the PRC, which owns 100% of the equity interests in China Xinhua NNC, a wholly-owned subsidiary of Xinhua News Agency and a substantial Shareholder of the Company
<b>“Company”</b>	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
<b>“Director(s)”</b>	director(s) of the Company
<b>“Financial Statements”</b>	the financial statements of the Group for the year ended 31 March 2022
<b>“GEM”</b>	the GEM of the Stock Exchange
<b>“GEM Listing Rules”</b>	the Rules Governing the Listing of Securities on GEM
<b>“Government”</b>	the Government of Hong Kong
<b>“Group”</b>	the Company and its subsidiaries
<b>“HK\$” and “HK cent(s)”</b>	Hong Kong dollar(s) and cent(s), respectively, the lawful currency of Hong Kong
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC

<b>“Macau”</b>	the Macau Special Administrative Region of the PRC
<b>“Mr. Kan”</b>	Mr. Kan Kwok Cheung (簡國祥), an executive Director
<b>“PRC”</b>	the People’s Republic of China, excluding Hong Kong, Macau and Taiwan
<b>“SFO”</b>	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended or otherwise modified from time to time
<b>“Share(s)”</b>	ordinary share(s) of the Company
<b>“Shareholder(s)”</b>	holder(s) of the Share(s)
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“WSD”</b>	Water Supplies Department (水務署) of the Government
<b>“Xinhua TV Asia-Pacific”</b>	Xinhua TV Asia-Pacific Operating Co., Limited (新華電視亞太台運營有限公司), a company incorporated in Hong Kong with limited liability on 22 December 2009 and an indirect wholly-owned subsidiary of the Company
<b>“%”</b>	per cent

Reference is made to the announcement of the Company dated 30 June 2022 in relation to the unaudited annual results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2022 (the “2022 Unaudited Annual Results Announcement”). The Board is pleased to present the consolidated results of the Group for the year ended 31 March 2022 together with the comparative figures for 2021.

## **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*FOR THE YEAR ENDED 31 MARCH 2022*

	<i>Notes</i>	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
Revenue	4	<b>408,175</b>	239,233
Cost of services		<u><b>(417,531)</b></u>	<u>(268,053)</u>
<b>Gross loss</b>		<b>(9,356)</b>	(28,820)
Other income	5	<b>4,487</b>	12,374
Other losses, net	6	<b>(453)</b>	(913)
Amortisation of intangible assets		–	(18,316)
Selling and distribution expenses		<b>(770)</b>	(770)
Administrative and operating expenses		<b>(17,452)</b>	(26,005)
Impairment loss on intangible assets		–	(7,679)
Impairment loss on right-of-use assets		–	(2,872)
Impairment loss on property, plant and equipment		<b>(1,517)</b>	–
Change in fair value of financial assets at fair value through profit or loss		<u><b>3,575</b></u>	<u>2,965</u>
<b>Loss from operations</b>	8	<b>(21,486)</b>	(70,036)
Finance costs	9	<u><b>(20,573)</b></u>	<u>(9,314)</u>
<b>Loss before income tax</b>		<b>(42,059)</b>	(79,350)
Income tax	10	<u><b>(93)</b></u>	<u>5,598</u>
<b>Loss for the year</b>		<b>(42,152)</b>	(73,752)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		<u><b>37</b></u>	<u>1,031</u>
<b>Total comprehensive loss for the year</b>		<u><b>(42,115)</b></u>	<u>(72,721)</u>

	<i>Notes</i>	<b>2022</b> <b><i>HK\$'000</i></b>	2021 <i>HK\$'000</i>
<b>Loss for the year attributable to:</b>			
– Owners of the Company		(41,729)	(72,946)
– Non-controlling interest		<u>(423)</u>	<u>(806)</u>
		<b><u>(42,152)</u></b>	<b><u>(73,752)</u></b>
<b>Total comprehensive loss for the year attributable to</b>			
– Owners of the Company		(41,692)	(71,915)
– Non-controlling interest		<u>(423)</u>	<u>(806)</u>
		<b><u>(42,115)</u></b>	<b><u>(72,721)</u></b>
<b>Loss per share attributable to the owners of the Company</b>			
– Basic and diluted ( <i>HK cents</i> )	<i>12</i>	<b><u>(1.03)</u></b>	<b><u>(1.80)</u></b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2022

		2022	2021
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Non-current assets</b>			
Property, plant and equipment		17,922	23,138
Right-of-use assets		<u>3,975</u>	<u>1,106</u>
		<u><b>21,897</b></u>	<u><b>24,244</b></u>
<b>Current assets</b>			
Trade and other receivables	13	124,266	68,716
Contract assets		24,758	10,408
Financial assets at fair value through profit or loss		–	4,800
Cash and cash equivalents		<u>42,560</u>	<u>66,743</u>
		<u><b>191,584</b></u>	<u><b>150,667</b></u>
<b>Total assets</b>		<u><b>213,481</b></u>	<u><b>174,911</b></u>
<b>Current liabilities</b>			
Trade and other payables	14	217,335	150,018
Contract liabilities		65,228	62,613
Lease liabilities		2,648	3,371
Promissory note		44,949	–
Convertible notes		257,030	243,605
Employee benefits		7,590	5,638
Tax payable		<u>807</u>	<u>1,060</u>
		<u><b>595,587</b></u>	<u><b>466,305</b></u>
<b>Net current liabilities</b>		<u><b>(404,003)</b></u>	<u><b>(315,638)</b></u>
<b>Total assets less current liabilities</b>		<u><b>(382,106)</b></u>	<u><b>(291,394)</b></u>

	<i>Notes</i>	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
<b>Non-current liabilities</b>			
Interest payables	<i>14</i>	–	4,920
Lease liabilities		<b>1,221</b>	189
Promissory note		–	44,584
Deferred tax liabilities		<b>1,981</b>	2,106
		<u><b>3,202</b></u>	<u>51,799</u>
<b>Total liabilities</b>		<u><b>598,789</b></u>	<u>518,104</u>
<b>Net liabilities</b>		<u><b>(385,308)</b></u>	<u>(343,193)</u>
<b>Capital and reserves</b>			
Share capital		<b>4,055</b>	4,055
Reserves		<b>(390,851)</b>	(349,159)
		<b>(386,796)</b>	(345,104)
Non-controlling interests		<b>1,488</b>	1,911
<b>Total equity</b>		<u><b>(385,308)</b></u>	<u>(343,193)</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. Its substantial shareholder is China Xinhua News Network Co., Limited (“China Xinhua NNC”), a private limited company incorporated in Hong Kong and wholly-owned by CNC China (a company incorporated in the PRC), which owns 29.31% of the issued share capital 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 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. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### 2.1 Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accounts (“HKICPA”) for the first time for their annual reporting period commencing on or after 1 April 2021:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “Committee”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performances for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## 2.2 New and Amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments <sup>2</sup>
HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts <sup>2</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>1</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>4</sup>
Amendments HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>4</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>4</sup>
Amendments HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>2</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>2</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>2</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>1</sup>
Amendments to HKAS 37	Onerous Contracts–Costs of Fulfilling a Contract <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2024.

The directors of the Company anticipate that the application of all new and 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 includes 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 good 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\$42,152,000 during the year ended 31 March 2022 and as of that date, the Group’s net current liabilities and net liabilities amounted to approximately HK\$404,003,000 and HK\$385,308,000 respectively;
- the Group’s convertible notes of principal amount of HK\$257,030,000 (the “Convertible Notes”) and interests thereon of approximately HK\$64,128,000 (the “Convertible Notes Interest”) in respect of which the Group was in default in settlement as at the date of this announcement;
- the Group owed the amount to a substantial shareholder of HK\$24,587,000 (the “On Demand Debt”) which was repayable on demand; and
- the Group’s promissory notes of principal amount of HK\$45,040,000 and interest thereon of approximately HK\$6,271,000 which are due for repayment in the next twelve months after the date of this report (the “Promissory Notes”).

The conditions described above indicate the existence of a material uncertainty that cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realize its assets and discharge its liabilities in the normal course of business.

The Group is actively exploring options to restructure the debts of the Group including but not limited to some or all of the followings:

1. the Company has entered into conditional agreement with Mr. Kan, a shareholder of the Company, for the allotment and issuance of a total of 1,666,666,667 subscription shares at the share subscription price of HK\$0.012 per subscription share for a total consideration of approximately HK\$20,000,000;
2. the Company has entered into a conditional agreement with the holder of the Convertible Notes, which is also a substantial shareholder of the Company, for the amendments of certain terms of the Convertible Notes and proposed issuance of new convertible notes with the principal amount of approximately HK\$64,128,000 to set off the Convertible Notes Interest;
3. the Company has entered into conditional agreement to issue new convertible bonds in the principal amount of HK\$16,240,000 to set off part of the outstanding balance of the On Demand Debt; and
4. 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.

In addition, the management of the Company 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.

The directors of the Company are of the opinion that it is appropriate to prepare these consolidated financial statements on going concern basis. The validity of the preparation of the consolidated financial statements on going concern basis depends on the successful eventual outcome of the above-mentioned plans and measures, which are inherently uncertain, including whether the Group being able to successfully negotiate and agree with the holders of Convertible Notes and Promissory Notes to renew or extend the existing debts or complete shares subscription to provide funds for the Group to meet its liabilities as they fall due.

As at the date of approval for issuance of the consolidated financial statements, the above-mentioned plan has been initially formulated but the eventual outcome cannot be determined with reasonable certainty and are still subject to multiple uncertainties. Accordingly, the material uncertainty that cast significant doubt on the Group's ability to continue as a going concern remains in existence as at the date of approval for issuance of the consolidated financial statements. Should the Group fail to achieve successful outcomes from the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying amounts of the Group's assets to their net recoverable amounts, to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have 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 2022 and 2021 were as follows:

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

	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Construction works	<b>408,175</b>	204,470
Advertising income	—	34,763
Revenue recognised over time	<b><u>408,175</u></b>	<b><u>239,233</u></b>

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

As at 31 March 2022, the aggregated amount of the transaction price allocated to the remaining performance obligation under the Group's existing contracts is approximately HK\$265,950,000 (2021: HK\$116,728,000). This amount represents revenue expected to be recognised in the future from pre-completion construction contracts entered into by the customers with the Group. The Group will recognise the expected revenue in future when or as the work is completed or service is provided which is expected to occur within the next 12 months.

#### 5. OTHER INCOME

	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Interest income	<b>82</b>	353
Government subsidies ( <i>Note</i> )	—	9,273
Consultancy fee income from joint operations	—	1,410
Sundry income	<b>4,405</b>	1,338
	<b><u>4,487</u></b>	<b><u>12,374</u></b>

*Note:* During the year ended 31 March 2021, the Group recognised Government grant of approximately HK\$9,273,000 in respect of COVID-19 related subsidies which is related to Employment Support Scheme provided by Hong Kong Government.

## 6. OTHER LOSSES, NET

Other losses, net recognised during the years ended 31 March 2022 and 2021 were as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Exchange gain/(loss), net	3	(364)
Net gain on disposal of property, plant and equipment	453	18
(Allowance for)/reversal of expected credit loss (“ECL”) recognised for trade receivables, net	(707)	74
Allowance of ECL recognised for other receivables and deposits, net	(53)	(97)
Allowance for ECL recognised for contract assets, net	(149)	(93)
Loss arising on extension of promissory note	—	(451)
	<u>(453)</u>	<u>(913)</u>

## 7. SEGMENT INFORMATION

The Group’s segment information is presented on the basis on 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 2022

	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	408,175	–	408,175
Reportable segment results	<u>(18,122)</u>	<u>(2,965)</u>	(21,087)
Unallocated corporate income			3,622
Unallocated corporate expenses			(4,021)
Finance costs			<u>(20,573)</u>
Loss before income tax			<u>(42,059)</u>

### For the year ended 31 March 2021

	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	204,470	34,763	239,233
Reportable segment results	<u>(34,680)</u>	<u>(28,810)</u>	(63,490)
Unallocated corporate income			1,346
Unallocated corporate expenses			(7,892)
Finance costs			<u>(9,314)</u>
Loss before income tax			<u>(79,350)</u>

There were no inter-segment sales for the years ended 31 March 2022 and 2021.

Segment profit/loss respects the profit earned/loss incurred by each segment without allocation of central administration costs, interest income, finance costs, change in fair value of financial assets at fair value through profit or loss (“FVTPL”), loss arising from extension 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 2022*

	Provision of civil engineering services <i>HK\$'000</i>	Media and advertising business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	170,104	46	170,150
Unallocated			<u>43,331</u>
<b>Consolidated assets</b>			<b><u>213,481</u></b>
Segment liabilities	182,623	34,345	216,968
Unallocated			<u>381,821</u>
<b>Consolidated liabilities</b>			<b><u>598,789</u></b>

#### *At 31 March 2021*

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

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

- all assets are allocated to operating segments other than financial assets at FVTPL, cash and cash equivalents 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 2022**

	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	10,998	–	–	10,998
Depreciation of property, plant and equipment	10,679	42	46	10,767
Depreciation of right-of-use assets	545	–	–	545
Allowance of ECL on contract assets, net	149	–	–	149
Allowance of ECL on trade receivables, net	707	–	–	707
Allowance of ECL on other receivables and deposits, net	19	–	34	53
Net gain on disposal of property, plant and equipment	(453)	–	–	(453)
Impairment loss on property, plant and equipment	476	1,041	–	1,517

**For the year ended 31 March 2021**

	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	12,441	–	–	12,441
Depreciation of property, plant and equipment	14,820	329	192	15,341
Depreciation of right-of-use assets	875	1,867	2,634	5,376
Amortisation of intangible assets	–	18,316	–	18,316
Allowance of ECL on contract assets, net	93	–	–	93
Reversal of ECL on trade receivables, net	(74)	–	–	(74)
Allowance of ECL on other receivables, net	97	–	–	97
Net gain on disposal of property, plant and equipment	(18)	–	–	(18)
Impairment loss on intangible assets	–	7,679	–	7,679
Impairment loss on right-of-use assets	633	702	1,537	2,872

### ***Geographical information***

Revenue from external customers of the Group was all derived Hong Kong for the years ended 31 March 2022 and 2021.

The following is an analysis of the carrying amount of non-current assets analysed by the geographical area in which the assets are located:

	<b>2022</b>	2021
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Hong Kong	<b>21,897</b>	23,154
PRC	–	1,090
	<b><u>21,897</u></b>	<b><u>24,244</u></b>

### ***Information about major customers***

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

	<b>2022</b>	2021
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Customer A ( <i>Note (i)</i> )	<b>51,661</b>	104,741
Customer B ( <i>Note (i)</i> )	<b>81,137</b>	27,392
Customer C ( <i>Note (i)</i> )	<b>42,185</b>	28,846
Customer D ( <i>Note (iii)</i> )	–	31,488
Customer E ( <i>Note (i) and (ii)</i> )	<b>87,858</b>	–
Customer F ( <i>Note (i) and (ii)</i> )	<b>79,236</b>	–
	<b><u>79,236</u></b>	<b><u>–</u></b>

*Notes:*

- (i) Revenue from provision of civil engineering service.
- (ii) The corresponding revenue did not contribute over 10% of the Group's revenue for the year ended 31 March 2021.
- (iii) Revenue from media and advertising business. The corresponding revenue did not contribute over 10% of the Group's revenue for the year ended 31 March 2022.

## 8. LOSS FROM OPERATIONS

	2022 HK\$'000	2021 HK\$'000
Loss from operations has been arrived at after charging/(crediting):		
Contract costs recognised as expenses	417,531	235,635
Television broadcasting right fee and TV satellite fees (included in cost of services)	–	72
Costs attributable to media and advertising business (included in cost of services)	–	27,415
Other direct costs attributable to media and advertising business (included in cost of services)	–	3,189
Auditors' remuneration		
– Audit services	650	650
Depreciation of property, plant and equipment*	10,767	15,341
Depreciation of right-of-use assets**	545	5,376
Staff costs***	99,608	88,287
Change in fair value of financial assets at fair value through profit or loss****	(3,575)	(2,965)
Expenses relating to short-term leases	<u>220</u>	<u>309</u>

\* Depreciation of property, plant and equipment of approximately HK\$9,867,000 (2021: HK\$13,877,000) and HK\$900,000 (2021: HK\$1,464,000) have been separately expensed in contract costs recognised as expenses and administrative expenses respectively.

\*\* Depreciation of right-of-use assets of approximately HK\$545,000 (2021: HK\$1,742,000) and HK\$nil (2021: HK\$3,634,000) have been separately expensed in cost of services and administrative expenses respectively.

\*\*\* Included in the staff costs, approximately HK\$91,668,000 (2021: HK\$78,417,000) was charged in cost of services.

\*\*\*\* For the year ended 31 March 2022, the amount represented the realised gain from the financial assets at fair value through profit or loss.

## 9. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on:		
Lease liabilities	108	176
Promissory note	1,716	826
Convertible notes	<u>18,749</u>	<u>8,312</u>
	<u><b>20,573</b></u>	<u><b>9,314</b></u>

## 10. INCOME TAX

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
– provision for the year	218	498
– over-provision in respect of prior years	<u>–</u>	<u>(399)</u>
	<u><b>218</b></u>	<u><b>99</b></u>
Deferred tax		
– provision for the year	<u>(125)</u>	<u>(5,697)</u>
Income tax expense/(credit)	<u><b>93</b></u>	<u><b>(5,598)</b></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% (2021: 25%).

## 11. DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31 March 2022 (2021: 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:

	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
<b>Loss</b>		
Loss for the year attributable to the owners of the company		
for the purpose of basic and diluted loss per share	<u><u>(41,729)</u></u>	<u><u>(72,946)</u></u>
	<b>Number of shares</b>	
	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares for the purpose of		
basic and diluted loss per share	<u><u>4,055,350</u></u>	<u><u>4,055,350</u></u>

Diluted loss per share for the years ended 31 March 2022 and 2021 are the same as the basic loss per share. The computation of diluted loss per share for the years ended 31 March 2022 and 2021 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.

### 13. TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables ( <i>note (i)</i> )	82,645	31,557
Allowance for ECL	<u>(3,348)</u>	<u>(11,792)</u>
	<u>79,297</u>	<u>19,765</u>
Other receivables ( <i>note (iii)</i> )	698	5,229
Deposits	6,759	5,088
Allowance for ECL	<u>(150)</u>	<u>(97)</u>
	<u>7,307</u>	<u>10,220</u>
Prepayment ( <i>note (ii)</i> )	<u>37,662</u>	<u>38,731</u>
	<u><b>124,266</b></u>	<u><b>68,716</b></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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current to 1 month	68,040	19,765
1 to 3 months	<u>11,257</u>	<u>–</u>
	<u><b>79,297</b></u>	<u><b>19,765</b></u>

The Group grants an average credit period of 30 days (2021: 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 2022, prepayments mainly comprised of advance payment to subcontractors of approximately HK\$31,162,000 (2021: HK\$31,966,000).
- (iii) As at 31 March 2022, the other receivables mainly comprised of amounts due from other partners of joint operations of approximately HK\$40,000 (2021: HK\$4,418,000). The amounts are unsecured, interest-free and repayable on demand.

#### 14. TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	56,326	9,948
Retention money payables	19,488	9,113
Amounts due to a shareholder ( <i>note (i)</i> )	24,587	23,337
Interest payables ( <i>note (ii)</i> )	70,399	63,724
Amount due to related parties ( <i>note (iii)</i> )	2,009	2,009
Other payables and accruals ( <i>note (iv)</i> )	44,526	46,807
	<u>217,335</u>	<u>154,938</u>
<i>Less: payables within twelve months shown under current liabilities</i>	<u>(217,335)</u>	<u>(150,018)</u>
Interest payables shown under non-current liabilities	<u>–</u>	<u>4,920</u>

#### Notes:

- (i) Amount due to a shareholder represents amount due to a 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 is unsecured, interest-free and repayable on demand.
- (ii) Interest payables represented interest of promissory note and convertible notes of approximately HK\$6,271,000 and HK\$64,128,000 (2021: HK\$4,920,000 and HK\$58,804,000) respectively. As at 31 March 2022, the Company had default in repayment of principal amount of convertible notes of approximately HK\$257,030,000 and interest thereon of approximately HK\$64,128,000.
- (iii) 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 is unsecured, interest-free and repayable on demand.
- (iv) As at 31 March 2022, the other payables mainly comprised of amount due to other parties of joint operations of approximately HK\$12,316,000 (2021: HK\$10,161,000). The amounts were unsecured, interest-free and repayable on demand.

The Group normally settles trade payables within 30 days (2021: 30 days) credit term. Based on the invoice date, ageing analysis of trade payables at the end of the reporting period is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current to 1 month	32,142	9,027
1 to 3 months	21,389	117
More than 3 months but less than 12 months	237	250
More than 12 months	2,558	554
	<u>56,326</u>	<u>9,948</u>

**MATERIAL DIFFERENCES BETWEEN 2022 AUDITED ANNUAL RESULTS AND 2022 UNAUDITED ANNUAL RESULTS ANNOUNCEMENT**

Since the financial information contained in the 2022 Unaudited Annual Results Announcement was not audited by the Auditor as at the date of its publication and subsequent adjustments have been made to such information upon completion of the auditing process, shareholders of the Company and potential investors are advised to pay attention to the following differences between the financial information of the audited annual results of the Group for the year ended 31 March 2022 (the “2022 Audited Annual Results”) disclosed in this announcement and that disclosed in the 2022 Unaudited Annual Results Announcement.

<b>Financial Items</b>	<b>2022 Audited Annual Results Announcement <i>HK\$'000</i></b>	<b>2022 Unaudited Annual Results Announcement <i>HK\$'000</i></b>	<b>Difference Increase/ (Decrease) <i>HK\$'000</i></b>	<b>Reason</b>
<b>Consolidated Statement of</b>				
<b>Financial Position</b>				
<b>Current Liabilities</b>				
Contract liabilities	<b>65,228</b>	40,898	<b>24,330</b>	(a)
<b>Non-current liabilities</b>				
Contract liabilities	–	24,330	<b>(24,330)</b>	(a)

*Notes:*

(a) Reclassification of contract liabilities from non-current liabilities to current liabilities.

# 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 year ended 31 March 2022, the Group continued to focus on rendering civil engineering services to the public sector in Hong Kong, conducted its media and advertising business in return for advertising and related income.

## Provision of civil engineering services

During the year ended 31 March 2022, 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	Client	Contract period under main contracts		
<b>Main contracts</b>					
Q067133	Elevated Road along Lohas Park Road and the pedestrian footbridge FB1	MTR Corporation Limited	Mar 2019 – Jul 2019	<b>Total contract value</b> HK\$2,270.8 million  <b>Total amount of works certified</b> <i>(Note)</i> HK\$1,575.0 million	
ND/2019/08	Site formation works at remaining part of Tai Po area 39	Civil Engineering and Development Department of the Government	Jan 2020 – May 2021		
<b>Subcontracts</b>					
CV/2015/03	Site Formation and Infrastructural Works near Tong Hang Road and Tsz Tin Road in Area 54, Tuen Mun	Hsin Chong Tsun Yip Joint Venture	Nov 2015 – June 2020		
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		
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		
<b>Joint Operations</b>					
CV/2015/03	Site Formation and Infrastructural Works near Tong Hang Road and Tsz Tin Road in Area 54, Tuen Mun	Civil Engineering and Development Department of the Government	Nov 2015 – June 2020		
CV/2016/10	Site Formation and Association Infrastructural Works for Development of Columbarium at Sandy Ridge Cemetery	Civil Engineering and Development Department of the Government	Dec 2017 – Jun 2021		
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		

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

Among the above ten contracts, a contract (contract numbered EP/SP/10/91) was newly awarded during the year ended 31 March 2022.

During the year ended 31 March 2022, a contract with contract numbered CV/2016/10 and 1002EM19A was the main contributors to the Group's revenue, which generated approximately HK\$98.9 million and approximately HK\$87.9 million, constituting approximately 24.2% and approximately 21.5% of the Group's total revenue respectively.

### ***Media and advertising business***

The outbreak of the COVID-19 and its escalation on a global scale has triggered unprecedented disruptions in business operations and to the economy. The emergence of mutated variants of the virus has caused a persisted and prolonged outbreak and has triggered unprecedented disruptions in business operations and to the economy.

The Group's media and advertising business continues experiencing a challenging operating environment, in particular, the overall contraction of the advertising market, intensive competition in a crowded marketplace with different operators and the changing user habits and preferences caused by rapid development and ever-changing new media technology. Upon the expiry of television broadcasting right, this segment remains stagnant in the current year. To tackle with the declining advertising customer demands and cater to the changing industry trends, the Group will explore the opportunities to cooperate with reputable partners in the industry to transform its media and advertising business from conventional television platforms to various internet and digital media platforms. Notwithstanding of the challenges ahead, Group is endeavored to explore any new business opportunities that may create synergetic value with existing media and advertising business to expand its revenue streams.

Looking ahead, it would be a difficult year ahead as both the global and local economy has suffered a serious hit by the COVID-19 pandemic and the economic recovery is on the blurry side. The Group will remain cautious and closely monitor the economic and market conditions and make necessary adjustments to its business operations to overcome the challenges ahead.

## Financial Review

### Revenue

For the year ended 31 March 2022, the Group reported a revenue of approximately HK\$408.2 million (2021: approximately HK\$239.2 million), representing an increase of approximately 70.6% as compared with that for the previous year. All of the Group's revenue were derived from provision of civil engineering services during the year ended 31 March 2022. The Group did not derive any advertising revenue (2021: approximately HK\$34.8 million) from media and advertising business for the year ended 31 March 2022. The overall increase in revenue was mainly due to increase in work from civil engineering projects for the year ended 31 March 2022.

During the year ended 31 March 2022, 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			
	2022		2021	
	HK\$'000	% of total	HK\$'000	% of total
<b>Provision of civil engineering services</b>				
Income from construction works:				
Main contractor	1,234	0.3	12,406	5.2
Subcontractor	270,263	66.2	103,380	43.2
Jointly controlled operations	136,678	33.5	88,684	37.1
Sub-total	<u>408,175</u>	<u>100.0</u>	<u>204,470</u>	<u>85.5</u>
<b>Media and advertising business</b>				
Advertising income	<u>-</u>	<u>-</u>	<u>34,763</u>	<u>14.5</u>
<b>Total</b>	<u>408,175</u>	<u>100.0</u>	<u>239,233</u>	<u>100.0</u>

## *Cost of services*

The Group's cost of services increased by approximately 55.8% to approximately HK\$417.5 million (2021: approximately HK\$268.1 million) for the year ended 31 March 2022 as compared with that for 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. The increase in cost of services was mainly due to the overall increase in staff costs, materials and subcontracting costs in respect of increase of works from civil engineering projects from provision of civil engineering services business for the year. The following table sets out a breakdown of the Group's cost of services:

	<b>For the year ended 31 March</b>			
	<b>2022</b>		<b>2021</b>	
	<i>HK\$'000</i>	<i>% of total</i>	<i>HK\$'000</i>	<i>% of total</i>
<b>Costs of construction services</b>				
Raw materials	34,696	8.3	18,632	7.0
Direct labour	91,668	22.0	78,417	29.3
Subcontracting fee	192,197	46.0	58,660	21.9
Other direct costs	98,970	23.7	79,926	29.8
	<u>417,531</u>	<u>100.0</u>	<u>235,635</u>	<u>88.0</u>
<b>Costs of media and advertising business</b>				
Transmission costs	–	–	72	0.0
Broadcasting fee	–	–	–	0.0
Depreciation of right-of-use assets of transmission costs	–	–	57	0.0
Depreciation of right-of-use assets of broadcasting fee	–	–	1,685	0.6
Cost of information contents of digital marketing business	–	–	27,415	10.2
Other direct costs attributable to media and advertising business	–	–	3,189	1.2
	<u>–</u>	<u>–</u>	<u>32,418</u>	<u>12.0</u>
<b>Total</b>	<u><b>417,531</b></u>	<u><b>100.0</b></u>	<u><b>268,053</b></u>	<u><b>100.0</b></u>

### ***Gross loss***

The gross loss for the Group for the year ended 31 March 2022 decreased by approximately 67.5% to approximately HK\$9.4 million (2021: approximately HK\$28.8 million) as compared with that for the previous year. The gross loss margin of the Group was approximately 2.3% (2021: approximately 12.0%) for the year ended 31 March 2022. 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 year ended 31 March 2022 decreased by approximately 63.7% to approximately HK\$4.5 million (2021: approximately HK\$12.4 million) as compared with that for the previous year. The decrease in other income was mainly due to the absence of receipt of subsidies of the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Government for the year ended 31 March 2022.

### ***Other losses, net***

The Group's other losses, net for the year ended 31 March 2022 decreased by 50.4% to approximately HK\$0.5 million in deficit (2021: approximately HK\$0.9 million) as compared with that for the previous year. 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 year ended 31 March 2022.

### ***Amortisation of intangible assets***

The amortisation of intangible assets mainly consisted of amortisation charges of television broadcasting right for the television broadcasting business included in media and advertising business. As the intangible assets had been fully impaired for the year ended 31 March 2021, the Group's amortisation of intangible assets for the year ended 31 March 2022 was amounted to approximately HK\$nil (2021: approximately HK\$18.3 million).

### ***Selling and distribution expenses***

The Group's selling and distribution expenses for the year ended 31 March 2022 was amounted to approximately HK\$0.8 million (2021: approximately HK\$0.8 million). The selling and distribution expenses were mainly consisted of advertising expenses for the television broadcasting business included in media and advertising business for the year.

### ***Administrative and operating expenses***

The Group's administrative and operating expenses for the year ended 31 March 2022 decreased by approximately 32.9% to approximately HK\$17.5 million (2021: approximately HK\$26.0 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.

### ***Finance costs***

The Group's finance costs for the year ended 31 March 2022 increased by approximately 120.9% to approximately HK\$20.6 million (2021: approximately HK\$9.3 million) as compared with that for the previous year. The finance costs mainly consist of interest expenses for the promissory note and convertible notes.

### ***Impairment assessment of contract assets and receivables***

The Group made a provision of additional expected credit losses allowance of approximately HK\$707,000 (2021: reversal of allowance of approximately HK\$74,000), approximately HK\$53,000 (2021: approximately HK\$97,000) and approximately HK\$149,000 (2021: approximately HK\$93,000) for trade receivables, other receivables and deposits and contract assets respectively based on the impairment assessment for the year ended 31 March 2022. 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***

As at 31 March 2022 and 2021, the management of the Group concluded there was indication of impairment and conducted impairment assessment on recoverable amounts of property, plant and equipment and right-of-use assets respectively. The recoverable amount of the relevant assets has been determined on the basis of their value in use and fair value less cost to disposal. Based on the result of the unexpected poor performance of the assessment, the management of the Group determined that the recoverable amount is lower than the carrying amount. An impairment of HK\$1,517,000 (2021: HK\$Nil) and HK\$Nil (2021: HK\$2,872,000) has been recognised against the carrying amount of property, plant and equipment and right-of-use asset respectively during the year ended 31 March 2022.

## ***Net loss***

The net loss of the Group for the year ended 31 March 2022 decreased by approximately 42.9% to approximately HK\$42.2 million (2021: approximately HK\$73.8 million) as compared with that for 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 year ended 31 March 2022.

## ***Loss per Share***

The basic loss per Share attributable to the owners of the Company for the year ended 31 March 2022 was approximately HK1.03 cents (2021: approximately HK1.80 cents).

## **Prospects**

The outbreak of COVID-19 has continued to pose the risk of global economic slowdown and all walks of life are affected to a certain extent. There is still a high degree of uncertainty about the pandemic, and the outlook for the global economic recovery is still slow. 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 while the Group is endeavoured to develop its media and advertising business. The Group will continue to adopt the strategy of diversifying the business spectrum and broadening the revenue base of the Group.

## ***Provision of civil engineering services***

The general outlook of the construction industry and the business environment remain challenging as the COVID-19 pandemic situation dragged on with several new variants of the virus, resulting in issues including disrupted supply chain, rising material costs, workforce disruptions and rising labour cost which negatively impacted the construction industry. Although the Group has not encountered or experienced any material difficulty and/or delay in completion of the projects and any material supply chain disruptions of the suppliers due to the outbreak of COVID-19, the overall rising construction costs and workforce and supply chain disruption in the market still imposed much pressure on the operational and financial performance of construction projects. In addition, the intense competition in the construction industry in recent years may affect the tendering activities such as the adoption of more aggressive and competitive project pricing strategy. The Group's gross profit margin of the construction projects and overall profitability and financial performance may be adversely impacted as a result of the challenges ahead.

In view of the difficulties and challenges ahead in the construction industry, the Group intends to adopt a prudent approach in projects selection 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 and construction projects implemented by the government to seek for suitable tendering opportunities. Moreover, the Group will keep the current resources in place strategically and at the same time actively implementing tight cost-saving measures and closely monitoring the construction procedures and operation to improve the efficiency and effectiveness of project management.

### ***Media and advertising business***

Affected by the COVID-19 outbreak and various unfavorable factors, industries around the world have suffered from weakened economic activities, intensified business competition pressure and declining demand. The difficult business environment is anticipated to continue in the coming year and the Group expects the media and advertising industry's prospects to remain challenging. Amid 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 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.

With the Group's experienced management team and reputation in the market, the Group is well-positioned to operate in the difficult and challenging time in the coming years. The Group will continue to exercise due care in the pursuance of this core business and further enhance its competitive edge so as to balance the risks and opportunities in this industry. Looking forward, amid these challenging times, the Group will adopt a prudent and proactive development policy to continue to develop its businesses under the premise of controlling the business risks, and continue to explore any healthy and suitable commercial investment opportunities to expand valuable businesses and diversify its business profile to generate synergy between different business segments.

### **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\$386.8 million in deficit as at 31 March 2022 (31 March 2021: approximately HK\$345.1 million). The decrease in equity was mainly resulted from net loss for the year.

## **Liquidity and Financial Resources**

During the year ended 31 March 2022, the Group generally financed its operations through internally generated cash flows.

As at 31 March 2022, the Group had net current liabilities of approximately HK\$404.0 million (31 March 2021: approximately HK\$315.6 million), including cash balance of approximately HK\$42.6 million (31 March 2021: approximately HK\$66.7 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 0.32 as at 31 March 2022 (31 March 2021: approximately 0.32).

## **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 173.8% as at 31 March 2022 (31 March 2021: approximately 202.6%).

## **Foreign Exchange Exposure**

The group entities collect most of the revenue and incur most of the expenditures in their respective functional currencies. The Directors consider that the Group's exposure to foreign currency exchange risk is insignificant as the majority of the Group's transactions are denominated in the functional currency of each individual group entity. During the year ended 31 March 2022, the Group was mainly exposed to foreign currency exchange risk of Renminbi and the management mainly monitored the foreign currency exchange risk with advices from the Group's major banks.

## **Capital Commitment**

As at 31 March 2022, the Group did not have any significant capital commitments (31 March 2021: Nil).

## **Charges on the Group's Assets**

As at 31 March 2022, the Group's machinery with net book values amounted to approximately HK\$4.0 million were held under finance lease. As at 31 March 2021, the Group's motor vehicles with net book values amounted to approximately HK\$1.1 million were held under finance lease.

## **Contingent Liabilities**

As at 31 March 2022, the Group did not have any material contingent liabilities (31 March 2021: Nil).

## **Information on Employees**

As at 31 March 2022, the Group had 238 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 2022 amounted to approximately HK\$99.6 million (2021: approximately HK\$88.3 million), representing an increase of approximately 12.8% over that for the previous year. The increase was mainly due to increase of work from newly awarded project from provision of civil engineering business for the year.

## **Significant Investment Held**

Except for investment in subsidiaries, during the year ended 31 March 2022 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 2022, 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 2022, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

## **DIVIDENDS**

The Board does not recommend the payment of a final dividend for the year ended 31 March 2022.

## **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 2022.

## **EVENTS AFTER THE REPORTING PERIOD**

- (a) On 30 June 2022, a promissory note with a principal amount of HK\$45,040,000 issued by the Group was expired and on 31 August 2022, the Company entered into a supplemental deed with the noteholder of promissory note, pursuant to which the Group and the noteholder of promissory note agreed to amend certain terms and conditions of the promissory note, where (i) the maturity date of the outstanding promissory note of principal amount of HK\$45,040,000 will be extended to 30 June 2024 and (ii) the interest rate of the promissory note was amended from 3% per annum to 0.5% per annum for the extended period, being 1 July 2022 to 30 June 2024.

- (b) On 5 September, 2023, Mr. Kan, China Xinhua NNC, the substantial shareholder of the Company and holder of the Convertible Notes and the Company entered into a conditional agreement, among other things:
1. the proposed allotment and issuance of a total of 1,666,666,667 subscription shares at the share subscription price of HK\$0.012 per subscription share to Mr. Kan, shareholder of the Company for a total consideration of approximately HK\$20,000,000;
  2. the proposed amendments of certain terms of the Convertible Notes with China Xinhua NNC, the substantial shareholder of the Company and holder of the Convertible Notes and proposed issuance of new convertible notes with the principal amount of approximately HK\$64,128,000 to China Xinhua NNC, the substantial shareholder of the Company and holder of the Convertible Notes to set off the Convertible Notes Interest; and
  3. the proposed issuance of new convertible bonds in the principal amount of HK\$16,240,000 to China Xinhua NNC, the substantial shareholder of the Company and holder of the Convertible Notes to set off part of the outstanding balance of the On Demand Debt.

## **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 2022, except paragraphs C.1.8, C.1.6 and C.2.7 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 year ended 31 March 2022.

### **Non-compliance with Rules 5.05(1), 5.05(2) and 5.28 of the GEM Listing Rules**

Throughout the year ended 31 March 2022, the Company has complied with the requirements under Rules 5.05(1) and (2) and 5.05A of the GEM Listing Rules and has appointed three independent non-executive directors, representing one-third of the number of Directors at the Board, with at least one independent non-executive director possessing the appropriate professional qualifications, or accounting or related financial management expertise.

Reference is made to the announcements of the Company dated 11 August 2020 and 14 October 2022 in relation to its non-compliance with Rules 5.05(1), 5.05(2), 5.05A, 5.36A and 5.28 of the GEM Listing Rules. Following the retirement and resignation of certain former Directors on 11 August 2020 and 14 October 2022, the Company has failed to meet the following requirements:

1. there will be two independent non-executive directors on the Board which falls below the minimum number as required under Rule 5.05(1) of the GEM Listing Rules;
2. there will be no independent non-executive directors have appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.05(2) and Rule 5.28 of the GEM Listing Rules and terms of reference of the Audit Committee;
3. there will be two independent non-executive directors representing less than one-third of the Board as required under Rule 5.05A of the GEM Listing Rules; and
4. there will be two independent non-executive directors on the Nomination Committee which does not fulfil the requirement of establishing a nomination committee comprising a majority of independent non-executive directors as required under Rule 5.36A of the GEM Listing Rules.

The Company is in the process of identifying suitable candidate to fill the vacancy. The Company will continue to use its best endeavours to ensure that suitable candidate is appointed as soon as practicable. Further announcement(s) will be made by the Company as and when appropriate in this regard.

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 2022, 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.

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. 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 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. Wu Guo Ming

Mr. Wan Chi Keung, Aaron, *BBS, JP*

Mr. Wong Chun Yip, Kenneth (*resigned on 14 October 2022*)

### *Non-executive Directors*

Ms. Tang Li

Mr. Law Cheuk Hung

Following the resignation of a former Director on 14 October 2022, the Company has failed to meet the requirement that (1) there will be no independent non-executive directors have appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.05(2) and Rule 5.28 of the GEM Listing Rules and terms of reference of the Audit Committee and (2) there will be a vacancy for chairman of the Audit Committee as required under the terms of reference of the Audit Committee.

## **EXTRACTS FROM INDEPENDENT AUDITOR’S 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 2022:

### **DISCLAIMER OF OPINION**

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **BASIS FOR DISCLAIMER OF OPINION**

#### **Material uncertainties relating to the going concern basis**

As stated in Note 3(c) to the consolidated financial statements, the Group incurred a net loss of approximately HK\$42,152,000 during the year ended 31 March 2022 and as of that date, the Group’s net current liabilities and net liabilities amounted to approximately HK\$404,003,000 and HK\$385,308,000 respectively. In addition, included in the Group’s liabilities as at 31 March 2022 were: (i) convertible notes of principal amount of HK\$257,030,000 (the “Convertible Notes”) and interests thereon of approximately HK\$64,128,000 (the “Convertible Notes Interest”) in respect of which the Group was in default in settlement; (ii) amount due to a substantial shareholder of HK\$24,587,000 (the “On Demand Debt”) which was repayable on demand; and (iii) promissory notes of principal amount of HK\$45,040,000 and interest thereon of approximately HK\$6,271,000 which are due for repayment in the next twelve months after the date of this report (the “Promissory Notes”). These events and conditions, along with other matters as set forth in Note 3(c), indicate that material uncertainties existed as at 31 March 2022 that cast significant doubts on the Group’s ability to continue as a going concern.

The Directors have assessed the Group's ability to continue as a going concern and are undertaking measures to improve the Group's liquidity and financial position and enable the Group to meet its liabilities as and when they fall due. These plans for future actions in relation to the going concern assessment, which are set out in Note 3(c) to the consolidated financial statements, include: (i) 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; (ii) the Company has entered into conditional agreement with Mr. Kan, a shareholder of the Company, for the allotment and issuance of a total of 1,666,666,667 subscription shares at the share subscription price of HK\$0.012 per subscription share for a total consideration of approximately HK\$20,000,000; (iii) the Company has entered into conditional agreement with the holder of the Convertible Notes, which is also a substantial shareholder of the Company, for the amendments of certain terms of the Convertible Notes and the issuance of new convertible bonds in the principal amount of approximately HK\$64,128,000 to set off the Convertible Notes Interest; (iv) the Company has entered into a conditional agreement to issue new convertible notes in the principal amount of HK\$16,240,000 to set off part of the outstanding balance of the On Demand Debt; and (v) 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.

The validity of the preparation of the consolidated financial statements on going concern basis depends on the successful eventual outcome of the above mentioned plans and measures, which are inherently uncertain and as at the date of this report cannot be ascertained with reasonable certainty and are still subject to multiple uncertainties, including whether the Group being able to successfully negotiate and agree with the holders of Convertible Notes and Promissory Notes to renew or extend the existing debts or complete shares subscription to provide funds for the Group to meet its liabilities as they fall due.

Should the Group fail to achieve successful outcomes from the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying amounts of the Group's assets to their net recoverable amounts, to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

We have not been provided with sufficient appropriate audit evidence to conclude on the appropriateness of management's use of the going concern basis of accounting in the preparation of the consolidated financial statements because of the lack of detailed analyses provided by management in relation to its plans and measures for future actions in its going concern assessment which take into account the uncertainty of outcome of these plans and measures and how variability in outcome would affect the future cash flows of the Group. Any adjustments found to be required may have consequential significant effects on the consolidated net assets of the Group as at 31 March 2022 and the consolidated loss and other comprehensive income or expense and cash flows of the Group for the year ended 31 March 2022, and the related elements and disclosures thereof presented or disclosed in the consolidated financial statements.

## **The Board's response to the Auditor's Opinion**

The management of the Company is of the view that Group will be able to continue to operate as a going concern. The consolidated financial statements had been prepared on a going concern basis, the validity of which depends on the outcome of those plans and measures as mentioned in Note 3(c) to the consolidated financial statements.

After discussion with the auditors, the management of the Company expects that, on the assumptions that (i) the plans and measures as mentioned in Note 3(c) to the consolidated financial statements have been successfully implemented, (ii) each of the Company's operating subsidiaries has continued to operate as normal, (iii) neither the Company nor any of its operating subsidiaries is the subject of any winding-up proceedings, and (iv) there are no other material threats to its status as a going concern, the Directors considered that the Group will have sufficient liquidity to finance its operations for the foreseeable future and therefore of a view that the Group would be able to continue as a going concern.

In this regard, although the implementation of the plans and measures as mentioned in Note 3(c) to the consolidated financial statements are subject to conclusion and finalisation of definitive formal agreement such that the auditors were not able to obtain sufficient audit evidence, the above-mentioned plans have been initially formulated and is in an advanced stage and thus the management of the Company is optimistic about the outcome of plans and measures thereof.

## **Audit Committee's view on whether the Company's plan could address the underlying matters leading to the Disclaimer of Opinion**

The auditors have informed the Audit Committee about their view regarding the basis of operating as a going concern, that due to the absence of sufficient appropriate audit evidence, the auditors were unable to express their audit opinion whether the Group can continue to operate as a going concern. As abovementioned, the Disclaimer of Opinion was mainly due to the auditor's concern as to whether the Company will be able to successfully implement the plans and measures mentioned in Note 3(c) to the consolidated financial statements.

The Audit Committee had critically reviewed the Disclaimer of Opinion, the management's position concerning the Disclaimer of Opinion and measures taken by the Group for addressing the Disclaimer of Opinion. After discussion with the Directors, the Audit Committee concurred with the going concern basis and assumptions adopted in preparing the consolidated financial statements based on the reasons above. Accordingly, the Audit Committee agreed that it was appropriate to use a going concern assumption to prepare the consolidated financial statements. Moreover, the Audit Committee requested the management to take all necessary actions to address the uncertainties regarding going concern underlying the Disclaimer of Opinion that no such Disclaimer of Opinion will be made in the forthcoming audited financial statements. The Audit Committee had also discussed with the Auditor regarding the financial position of the Group, measures taken and to be taken by the Group, and considered the Auditor's rationale and understood their consideration in arriving their opinion.

The Audit Committee has reviewed with the management this annual results announcement. The Audit Committee has no disagreement on any accounting treatments which had been adopted or particulars published in this annual results announcement.

## **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 2022 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](http://www.hkexnews.hk)) and the Company ([www.cnctv.hk](http://www.cnctv.hk)). The annual report of the Company for the year ended 31 March 2022 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 30 November 2023.

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

Hong Kong, 24 October 2023

*As at the date of this announcement, the Directors are Dr. Jiang Yan<sup>1</sup> (Chairman), Dr. Li Yong Sheng<sup>1</sup> (Vice Chairman and Chief Executive Officer), Mr. Liu Da Yong<sup>1</sup>, Mr. Kan Kwok Cheung<sup>1</sup>, Ms. Tang Li<sup>2</sup>, Mr. Law Cheuk Hung<sup>2</sup>, Mr. Wu Guo Ming<sup>3</sup> and Mr. Wan Chi Keung, Aaron, BBS, JP<sup>3</sup>.*

<sup>1</sup> *Executive Director*

<sup>2</sup> *Non-executive Director*

<sup>3</sup> *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>.*