



CNC HOLDINGS LIMITED
中國新華電視控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8356)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

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 six months ended 30 September 2023 increased by approximately 1.4% to approximately HK\$225.7 million (2022: approximately HK\$222.5 million).
- Loss of the Group for the six months ended 30 September 2023 was increased by 147.0% to approximately HK\$2.6 million (2022: approximately HK\$1.1 million).
- Basic loss per Share attributable to the owners of the Company for the six months ended 30 September 2023 was approximately HK0.07 cent (2022: approximately HK0.03 cent).
- The Board does not recommend the payment of any dividend for the six months ended 30 September 2023.

The board of Directors (the “Board”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2023, together with the unaudited comparative figures for the corresponding periods in 2022, as follows:

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

For the three months and six months ended 30 September 2023

	Notes	Six months ended 30 September		Three months ended 30 September	
		2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Revenue	4	225,723	222,540	109,136	97,651
Cost of services		<u>(214,774)</u>	<u>(220,672)</u>	<u>(100,368)</u>	<u>(97,379)</u>
Gross profit		10,949	1,868	8,768	272
Other income	5	572	3,108	5	2,262
Other (losses)/gains, net	6	(70)	7,539	(29)	6,844
Administrative and operating expenses		<u>(7,893)</u>	<u>(7,242)</u>	<u>(4,294)</u>	<u>(3,685)</u>
Profit from operations	8	3,558	5,273	4,450	5,693
Finance costs	10	<u>(6,038)</u>	<u>(7,133)</u>	<u>(3,030)</u>	<u>(2,350)</u>
(Loss)/profit before income tax		(2,480)	(1,860)	1,420	3,343
Income tax	11	<u>(113)</u>	810	<u>(120)</u>	<u>(199)</u>
(Loss)/profit for the period		<u><u>(2,593)</u></u>	<u><u>(1,050)</u></u>	<u><u>1,300</u></u>	<u><u>3,144</u></u>

	Six months ended		Three months ended	
	30 September		30 September	
	2023	2022	2023	2022
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other comprehensive loss:				
<i>Items that may be reclassified</i>				
<i>subsequently to profit or loss:</i>				
Exchange differences on translating foreign operations	–	(11)	–	(2)
Total comprehensive (loss)/income for the period	<u>(2,593)</u>	<u>(1,061)</u>	<u>1,300</u>	<u>3,142</u>
(Loss)/profit for the period attributable to:				
– Owners of the Company	(2,722)	(1,082)	1,147	3,154
– Non-controlling interests	<u>129</u>	<u>32</u>	<u>153</u>	<u>(10)</u>
	<u>(2,593)</u>	<u>(1,050)</u>	<u>1,300</u>	<u>3,144</u>
Total comprehensive (loss)/income for the period attributable to:				
– Owners of the Company	(2,722)	(1,093)	1,147	3,152
– Non-controlling interests	<u>129</u>	<u>32</u>	<u>153</u>	<u>(10)</u>
	<u>(2,593)</u>	<u>(1,061)</u>	<u>1,300</u>	<u>3,142</u>
(Loss)/earnings per Share attributable to the owners of the Company				
– Basic (HK cent(s))	<u>(0.07)</u>	<u>(0.03)</u>	<u>0.03</u>	<u>0.08</u>
– Diluted (HK cent(s))	<u>(0.07)</u>	<u>(0.03)</u>	<u>0.02</u>	<u>0.07</u>

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2023

		As at 30 September 2023 (Unaudited) <i>HK\$'000</i>	As at 31 March 2023 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	14	16,424	16,635
Right-of-use assets		<u>8,729</u>	<u>11,465</u>
		<u>25,153</u>	<u>28,100</u>
Current assets			
Trade and other receivables	15	115,644	124,647
Contract assets		39,111	41,177
Cash and cash equivalents		<u>52,131</u>	<u>51,619</u>
		<u>206,886</u>	<u>217,443</u>
Total assets		<u>232,039</u>	<u>245,543</u>
Current liabilities			
Trade and other payables	16	217,247	229,928
Contract liabilities		97,685	88,790
Lease liabilities		5,238	5,558
Promissory note		42,276	–
Convertible notes		257,030	257,030
Employee benefits		6,514	6,514
Tax payable		<u>247</u>	<u>133</u>
		<u>626,237</u>	<u>587,953</u>
Net current liabilities		<u>(419,351)</u>	<u>(370,510)</u>
Total assets less current liabilities		<u>(394,198)</u>	<u>(342,410)</u>

		As at 30 September 2023 (Unaudited) HK\$'000	As at 31 March 2023 (Audited) HK\$'000
	<i>Notes</i>		
Non-current liabilities			
Interest payables	16	–	6,777
Lease liabilities		948	2,907
Promissory note		–	40,429
Deferred tax liabilities		<u>2,253</u>	<u>2,283</u>
		<u>3,201</u>	<u>52,396</u>
Total liabilities		<u>629,438</u>	<u>640,349</u>
Net liabilities		<u>(397,399)</u>	<u>(394,806)</u>
Capital and reserves			
Share capital	17	4,055	4,055
Reserves		<u>(403,054)</u>	<u>(400,332)</u>
		<u>(398,999)</u>	<u>(396,277)</u>
Non-controlling interests		<u>1,600</u>	<u>1,471</u>
Total Equity		<u>(397,399)</u>	<u>(394,806)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 September 2023

	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 2023	4,055	1,238,195	2,758	14,400	(1,724)	41,214	(1,695,175)	(396,277)	1,471	(394,806)
(Loss)/profit for the period	-	-	-	-	-	-	(2,722)	(2,722)	129	(2,593)
Other comprehensive income for the period:										
<i>Items that may be reclassified subsequently to profit or loss:</i>										
Exchange differences on translating foreign operations	-	-	-	-	-	-	-	-	-	-
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(2,722)	(2,722)	129	(2,593)
As at 30 September 2023 (unaudited)	<u>4,055</u>	<u>1,238,195</u>	<u>2,758</u>	<u>14,400</u>	<u>(1,724)</u>	<u>41,214</u>	<u>(1,697,897)</u>	<u>(398,999)</u>	<u>1,600</u>	<u>(397,399)</u>
As at 1 April 2022	4,055	1,238,195	2,758	14,400	(1,683)	41,214	(1,685,735)	(386,796)	1,488	(385,308)
(Loss)/profit for the period	-	-	-	-	-	-	(1,082)	(1,082)	32	(1,050)
Other comprehensive loss for the period:										
<i>Items that may be reclassified subsequently to profit or loss:</i>										
Exchange differences on translating foreign operations	-	-	-	-	(11)	-	-	(11)	-	(11)
Total comprehensive (loss)/income for the period	-	-	-	-	(11)	-	(1,082)	(1,093)	32	(1,061)
As at 30 September 2022 (unaudited)	<u>4,055</u>	<u>1,238,195</u>	<u>2,758</u>	<u>14,400</u>	<u>(1,694)</u>	<u>41,214</u>	<u>(1,686,817)</u>	<u>(387,889)</u>	<u>1,520</u>	<u>(386,369)</u>

* *The aggregate amount of these balances of approximately HK\$403,054,000 in deficit (31 March 2023: approximately HK\$400,332,000) is included as reserves in the condensed consolidated statement of financial position.*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 September 2023

	Six months ended	
	30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities	6,398	27,286
Investing activities		
Purchase of property, plant and equipment	(3,134)	(3,982)
Other cash flows generated from investing activities	<u>372</u>	<u>987</u>
Net cash used in from investing activities	<u>(2,762)</u>	<u>(2,995)</u>
Net cash used in financing activities	<u>(3,128)</u>	<u>(2,463)</u>
Net increase in cash and cash equivalents	508	21,828
Cash and cash equivalents at the beginning of the period	51,619	42,560
Effects of foreign exchange rate changes	<u>4</u>	<u>(18)</u>
Cash and cash equivalents at the end of the period	<u>52,131</u>	<u>64,370</u>
Analysis of cash and cash equivalents		
Cash and bank balances	<u>52,131</u>	<u>64,370</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

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. 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 中國新華新聞電視網有限公司 (“CNC China”) (a company incorporated in the PRC), which owns 29.31% of the issued share capital of the Company.

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

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

2. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2023 (the “Interim Financial Statements”) have been prepared in accordance with the Hong Kong Accounting Standards (“HKAS”) 34 “Interim Financial Reporting”, other relevant Hong Kong Accounting Standards, Interpretations and the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of the GEM Listing Rules.

(b) Basis of preparation

The accounting policies and method of the computation used in the preparation of the Interim Financial Statements are consistent with those used in the annual report for the year ended 31 March 2023, except for those related to new standards and interpretations effective for the first time periods beginning on 1 April 2023 and expected to be reflected in the forthcoming annual financial statements.

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

(c) **Going Concern**

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

- The Group has incurred an unaudited net loss of approximately HK\$2,593,000 during the six months ended 30 September 2023 and, as of that date, the Group had unaudited net current liabilities and unaudited net liabilities of approximately HK\$419,351,000 and HK\$397,399,0000 respectively;
- As at 30 September 2023, the Group had convertible notes of principal amount of HK\$257,030,000 (the “Convertible Notes”) and interests thereon of approximately HK\$78,092,000 (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”) as at 30 September 2023 which was repayable on demand; and
- the Group’s promissory notes of approximately HK\$42,276,000 and interest thereon of approximately HK\$6,890,000 which are due for repayment in the next twelve months after the date of this announcement (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 capital and debts of the Group including but not limited to 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 in relation to, among others, the amendment of interest rate from 3% to 0.8% per annum and the extension of the maturity date of the Convertible Notes to 9 December 2025;
3. the Company has entered into a conditional agreement to issue new convertible bonds in the principal amount of approximately HK\$64,128,000 to set off the Convertible Notes Interest;
4. 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;
5. 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; and

6. Mr. Kan has confirmed to provide financial support to the Group in a reasonable manner under relevant laws and regulatory requirements and also granted a loan facility of up to HK\$60,000,000 to the Group to maintain the going concern of the Company.

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 the Interim Financial Statements on going concern basis. The validity of the preparation of the Interim 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 will be able to successfully negotiate and agree with the holders of Convertible Notes and Promissory Notes to amend, 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 Interim Financial Statements, the above-mentioned plans have 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 Interim 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 Interim Financial Statements.

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

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

HKFRS 17	Insurance Contracts and the related Amendments
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

The application of the other new and amendments to HKASs and HKFRSs in the current period has had no material effect on the amounts reported in Interim Financial Statements and/or disclosures set out in Interim Financial Statements.

4. REVENUE

Revenue recognised during the three months and six months ended 30 September 2023 and 30 September 2022 were as follows:

	Six months ended		Three months ended	
	30 September		30 September	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Construction works	<u>225,723</u>	<u>222,540</u>	<u>109,136</u>	<u>97,651</u>
Revenue recognised over time	<u><u>225,723</u></u>	<u><u>222,540</u></u>	<u><u>109,136</u></u>	<u><u>97,651</u></u>

5. OTHER INCOME

Other income recognised during the three months and six months ended 30 September 2023 and 30 September 2022 were as follows:

	Six months ended		Three months ended	
	30 September		30 September	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income	3	2	1	1
Government subsidies (<i>Note</i>)	–	2,212	–	1,367
Sundry income	<u>569</u>	<u>894</u>	<u>4</u>	<u>894</u>
	<u><u>572</u></u>	<u><u>3,108</u></u>	<u><u>5</u></u>	<u><u>2,262</u></u>

Note: During the six months ended 30 September 2022, the Group recognised Government grant of approximately HK\$2,212,000 in respect of COVID-19 related subsidies which is related to Employment Support Scheme provided by Hong Kong Government respectively.

6. OTHER (LOSSES)/GAINS, NET

Other (losses)/gains, net recognised during the three months and six months ended 30 September 2023 and 30 September 2022 were as follows:

	Six months ended		Three months ended	
	30 September		30 September	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Exchange gain/(loss), net	4	(7)	1	(4)
Net gain on disposal of property, plant and equipment	30	473	113	320
Net loss on termination of lease	(223)	–	(104)	–
Reversal of/(allowance for) expected credit losses recognised for trade receivables, net	82	518	(74)	66
Reversal of/(allowance for) expected credit losses recognised for contract assets, net	38	(212)	34	(305)
(Allowance for)/reversal of expected credit losses recognised for other receivables and deposits, net	(1)	45	1	45
Gain on modification of promissory note	–	6,722	–	6,722
	(70)	7,539	(29)	6,844

7. SEGMENT INFORMATION

The Group's segment information is presented on the basis of internal reports that are regularly reviewed by the executive Directors, being the chief operating decision maker ("CODM") in order to allocate resources to the segments and assess their performance.

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

- (i) Provision of civil engineering services – provision of waterworks engineering services, road works and drainage services and site formation works for public sector in Hong Kong; and
- (ii) Media and advertising business – (a) the business of broadcasting television programmes on television channels operated by television broadcasting companies in the Asia-Pacific region (excluding the PRC) and (b) business of promoting digital marketing activities on overseas video platform in return for advertising and related revenue.

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

Segment revenue and results

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

For the six months ended 30 September 2023

	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>225,723</u>	<u>–</u>	<u>225,723</u>
Reportable segment results	<u><u>4,991</u></u>	<u><u>(173)</u></u>	<u>4,818</u>
Unallocated corporate income			2
Unallocated corporate expenses			(1,262)
Finance costs			<u>(6,038)</u>
Loss before income tax			<u><u>(2,480)</u></u>

For the six months ended 30 September 2022

	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>222,540</u>	<u>–</u>	<u>222,540</u>
Reportable segment results	<u><u>275</u></u>	<u><u>(260)</u></u>	15
Unallocated corporate income			6,722
Unallocated corporate expenses			(1,464)
Finance costs			<u>(7,133)</u>
Loss before income tax			<u><u>(1,860)</u></u>

There were no inter-segment sales for the six months ended 30 September 2023 and 30 September 2022.

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

Segment assets and liabilities

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

As at 30 September 2023

	Provision of civil engineering services (Unaudited) HK\$'000	Media and advertising business (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment assets	179,671	77	179,748
Unallocated			<u>52,291</u>
Consolidated assets			<u><u>232,039</u></u>
Segment liabilities	203,420	34,798	238,218
Unallocated			<u>391,220</u>
Consolidated liabilities			<u><u>629,438</u></u>

As at 31 March 2023

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

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

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

Information about major customers

Revenue from major customers during the six months ended 30 September 2023 and 30 September 2022 were as follows:

	Six months ended	
	30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Customer A (note (i))	41,314	34,428
Customer B (note (i))	64,853	43,262
Customer C (note (i))	57,041	42,002
Customer D (note (i) and (ii))	–	27,715
Customer E (note (i))	26,038	48,540
	<u>26,038</u>	<u>48,540</u>

Note:

- (i) Revenue from provision of civil engineering services.
- (ii) No information was disclosed as the corresponding revenue did not contribute over 10% of the Group's revenue for the respective period.

8. PROFIT FROM OPERATIONS

Profit from operations is arrived at after charging the following:

	Six months ended		Three months ended	
	30 September		30 September	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Contract costs recognised as expense	214,774	220,672	100,368	97,379
Depreciation of property, plant and equipment	3,983	3,956	2,384	1,939
Depreciation of right-of-use assets	2,481	905	1,171	533
Staff costs (<i>note 9</i>)	53,779	49,721	26,673	23,979
	<u>53,779</u>	<u>49,721</u>	<u>26,673</u>	<u>23,979</u>

9. STAFF COSTS

	Six months ended		Three months ended	
	30 September		30 September	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Staff costs (including Directors' remuneration) comprise:				
Wages, salaries and other benefits	52,510	48,632	25,958	23,624
Contribution to defined contribution retirement plan	1,269	1,089	715	355
	<u>53,779</u>	<u>49,721</u>	<u>26,673</u>	<u>23,979</u>

10. FINANCE COSTS

	Six months ended		Three months ended	
	30 September		30 September	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interests on:				
Lease liabilities	213	120	101	74
Promissory note	1,959	760	985	332
Default interests of convertible notes	3,866	6,253	1,944	1,944
	<u>6,038</u>	<u>7,133</u>	<u>3,030</u>	<u>2,350</u>

11. INCOME TAX

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

	Six months ended		Three months ended	
	30 September		30 September	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax – Hong Kong profits tax				
– Provision for the period	137	70	83	–
– over-provision in respect of prior years	–	(1,093)	–	–
	<u>137</u>	<u>(1,023)</u>	<u>83</u>	<u>–</u>
Deferred tax				
– Provision for the period	(24)	213	37	199
Income tax expense/(credit)	<u>113</u>	<u>(810)</u>	<u>120</u>	<u>199</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 the 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% (2022: 25%).

12. DIVIDENDS

The Board does not recommend the payment of any dividend for each of the three months and six months ended 30 September 2023 respectively (2022: nil).

13. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The calculations of basic earnings/(loss) per Share for the three months and six months ended 30 September 2023 is based on the unaudited consolidated profit of approximately HK\$1,147,000 and loss of approximately HK\$2,722,000 attributable to the owners of the Company for each of the three months and six months ended 30 September 2023 respectively (three months and six months ended 30 September 2022: profit of approximately HK\$3,154,000 and loss of approximately HK\$1,082,000 respectively) and the weighted average number of 4,055,349,947 Shares and 4,055,349,947 Shares in issue for the three months and six months ended 30 September 2023 respectively (weighted average number of Shares in issue for the three months and six months ended 30 September 2022: 4,055,349,947 Shares and 4,055,349,947 Shares respectively) as if they had been in issue throughout the periods.

The calculations of the diluted earnings/(loss) per share for the three months and six months ended 30 September 2023 and 30 September 2022 are based on the profit/(loss) for the period attributable to the owners of the Company adjusted to reflect the interest on the convertible notes. The weighted average number of ordinary shares used in the calculation are the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted (loss)/earnings per share are based on:

	Six months ended		Three months ended	
	30 September		30 September	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/earnings				
(Loss)/profit attributable to owners of the Company, used in basic and diluted earnings/(loss) per share calculation	<u>(2,722)</u>	<u>(1,082)</u>	<u>1,147</u>	<u>3,154</u>

	Six months ended		Three months ended	
	30 September		30 September	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>

Number of shares

Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	4,055,350	4,055,350	4,055,350	4,055,350
Effect of dilutive potential ordinary shares				
– Convertible notes	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,311,378</u>
Weighted average number of ordinary shares for the purposes of dilutive earnings/(loss) per share	<u>4,055,350</u>	<u>4,055,350</u>	<u>4,055,350</u>	<u>5,366,728</u>

Diluted loss per share for the six months ended 30 September 2023 and 30 September 2022 are the same as the basic loss per share. The computation of diluted loss per share for the six months ended 30 September 2023 and 30 September 2022 does not assume the Company's outstanding convertible notes since the assumed conversion of convertible notes would result in a decrease in loss per share.

14. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2023, the Group acquired items of property, plant and equipment with aggregate cost of approximately HK\$3,134,000 (six months ended 30 September 2022: approximately HK\$3,982,000). During the six months ended 30 September 2023, items of property, plant and equipment with carrying value of approximately HK\$340,000 were disposed of (six months ended 30 September 2022: approximately HK\$513,000).

15. TRADE AND OTHER RECEIVABLES

	As at 30 September 2023 (Unaudited) HK\$'000	As at 31 March 2023 (Audited) HK\$'000
Trade receivables (<i>Note (i)</i>)	66,175	74,051
Allowance for expected credit losses (“ECL”)	<u>(3,349)</u>	<u>(3,431)</u>
	62,826	70,620
Other receivables	893	814
Deposits	3,564	3,643
Allowance for expected credit losses (“ECL”)	<u>(29)</u>	<u>(28)</u>
	4,428	4,429
Prepayment (<i>Note (ii)</i>)	<u>48,390</u>	<u>49,598</u>
	<u>115,644</u>	<u>124,647</u>

Notes:

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

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

	As at 30 September 2023 (Unaudited) HK\$'000	As at 31 March 2023 (Audited) HK\$'000
Current or less than 1 month	33,981	56,322
More than 1 month but less than 3 months	14,410	13,826
More than 3 months but less than 12 months	<u>14,435</u>	<u>472</u>
	<u>62,826</u>	<u>70,620</u>

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

- (ii) As at 30 September 2023, prepayments mainly comprised of advance payment to subcontractors of approximately HK\$36,155,000 (31 March 2023: HK\$34,953,000) and prepaid insurance of approximately HK\$11,926,000 (31 March 2023: 14,382,000).

16. TRADE AND OTHER PAYABLES

	As at 30 September 2023 (Unaudited) HK\$'000	As at 31 March 2023 (Audited) HK\$'000
Trade payables	27,468	55,467
Retention money payables	33,435	31,281
Amount due to a shareholder (<i>note (i)</i>)	24,587	24,587
Interest payables (<i>note (ii)</i>)	84,982	81,003
Amount due to a related party (<i>note (iii)</i>)	2,009	2,009
Other payables and accruals (<i>note (iv)</i>)	44,766	42,358
	<u>217,247</u>	<u>236,705</u>
<i>Less:</i> payables within twelve months shown under current liabilities	<u>(217,247)</u>	<u>(229,928)</u>
Interest payables shown under non-current liabilities	<u>–</u>	<u>6,777</u>

Notes:

- (i) Amount due to a shareholder represents amount due to a major substantial shareholder, China Xinhua News Network Co., Limited (“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\$6,890,000 and HK\$78,092,000 (31 March 2023: HK\$6,777,000 and HK\$74,226,000) respectively. As at 30 September 2023, the Company had default in repayment of principal amount of convertible notes of approximately HK\$257,030,000 and interest thereon of approximately HK\$78,092,000.
- (iii) Amount due to a related party represents amount due to 新華音像中心. 新華音像中心 and China Xinhua NNC have a common shareholder, Xinhua News Agency (新華社). The amount is unsecured, interest-free and repayable on demand.
- (iv) As at 30 September 2023, the other payables mainly comprised of amount due to other parties of joint operations of approximately HK\$13,926,000 (31 March 2023: HK\$12,417,000). The amounts are unsecured, interest-free and repayable on demand.

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

	As at 30 September 2023 (Unaudited) HK\$'000	As at 31 March 2023 (Audited) HK\$'000
Current or less than 1 month	8,272	35,775
More than 1 month but less than 3 months	14,473	16,888
More than 3 months but less than 12 months	1,928	7
More than 12 months	2,795	2,797
	<u>27,468</u>	<u>55,467</u>

17. SHARE CAPITAL

	Number of Shares	Nominal value HK\$'000
Authorised:		
As at 1 April 2023 and 30 September 2023 (unaudited)	<u>500,000,000,000</u>	<u>500,000</u>
Issued and fully paid:		
As at 1 April 2023 and 30 September 2023 (Unaudited)	<u>4,055,349,947</u>	<u>4,055</u>

18. MATERIAL RELATED PARTY TRANSACTIONS

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

Related party relationship	Type of transaction	Transaction amount			
		Six months ended 30 September 2023 (Unaudited) <i>HK\$'000</i>		Three months ended 30 September 2023 (Unaudited) <i>HK\$'000</i>	
China Xinhua NNC	Accrued default interests on convertible notes	3,866	6,253	1,944	1,944

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

19. EVENTS AFTER REPORTING PERIOD

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is principally engaged in the provision of civil engineering services for the public sector in Hong Kong. During the six months ended 30 September 2023 (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 media and advertising business, including 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 eight contracts. Among the eight contracts, one of these are related to provision of waterworks engineering services and the remaining contracts are related to provision of drainage services and site formation. Details of the contracts undertaken are set out below:

	Contract number	Particulars of contract
Subcontracts	CV/2016/10	Site Formation and Association Infrastructural Works For Development of Columbarium at Sandy Ridge Cemetery
	PYC-03084BAH-001	Site Formation, Foundation & Substructure Works for the Student Residence Development at The Hong Kong University of Science and Technology
	ND/2018/02	The Establishment of an Agricultural Pak in Kwu Tung South (Phase 1)
	1002EM19A	Design-Build-Operate for the Additional District Cooling System (DCS) at the Kai Tak Development (KTD)
	EP/SP/10/91	South East-New Territories (SENT) Landfill Extension
Joint Operations	CV/2016/10	Site Formation and Association Infrastructural Works For Development of Columbarium at Sandy Ridge Cemetery
	ND/2018/02	The Establishment of an Agricultural 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
	CV/2022/08	Site Formation and Infrastructure Works at Area 48, Fanling

During the Period, the two contracts with contract numbered 4WSD19 and 1002EM19A were the main contributors to the Group's revenue, which generated approximately HK\$64.9 million and HK\$57.0 million, constituting approximately 28.7% and 25.3% of the Group's revenue respectively.

Media and advertising business

Following the expiry of the exclusive television broadcasting right granted by China Xinhua NNC to the Group on 31 August 2021, the Group has yet to successfully identify suitable broadcasting rights and licenses to resume the television broadcasting business since then. During the Period, the Group has also attempted to tap into the digital marketing business in overseas market through different online media platforms, such as YouTube. However, due to the ever-changing users' habit, the Group has not been able to identify suitable business opportunities and strategic partners. The management of the Group will continue to develop and improve its business strategies for the media and advertising Business and enhance return to the Shareholders.

The Group has been actively monitoring market conditions and taking appropriate measures to mitigate the impact resulted from unfavorable market factors. The Group has been taking measures to enhance its cost control measures and resources management policies while actively participating in tendering and bidding to maintain its market competitiveness despite the difficulties encountered.

Financial Review

Revenue

During the Period, the Group reported a revenue of approximately HK\$225.7 million (2022: approximately HK\$222.5 million), representing an increase of approximately 1.4% 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 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. The subcontracting revenue generated from undertaking in capacity of a subcontractor amounted to approximately HK\$127.0 million (2022: approximately HK\$144.8 million), representing approximately 56.3% of the total revenue for the Period (2022: approximately 65.1%). On the other hand, the revenue generated from the undertaking of civil engineering contracts in the capacity of a main contractor and a jointly controlled operator amounted to approximately HK\$98.7 million (2022: approximately HK\$77.7 million), representing approximately 43.7% (2022: approximately 34.9%) of the total revenue for the Period.

Cost of services

The Group's cost of services decreased by approximately 2.7% to approximately HK\$214.8 million for the Period (2022: approximately HK\$220.7 million) as compared with that for the same period of the previous year. The Group's cost of services mainly includes costs of construction services, costs of media and advertising business and other direct operating costs. Costs of construction services mainly comprise raw materials, direct labour and subcontracting fee for services provided by the subcontractors. Since the media and advertising business remained stagnant, no significant costs of media and advertising business and other direct operating costs were incurred during the Period.

Gross profit

The gross profit for the Group for the Period increased by approximately 4.9 times to approximately HK\$10.9 million (2022: approximately HK\$1.9 million) as compared with that for the same period of the previous year. The gross profit margin of the Group amounted to approximately 4.9% (2022: approximately 0.8%) for the Period. The increase in gross profit was mainly due to the increase in work from certain 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 81.6% to approximately HK\$0.6 million (2022: approximately HK\$3.1 million) as compared with that for the same period of 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 during the Period.

Other (losses)/gains, net

The Group's other losses, net for the Period was approximately HK\$70,000 (2022: other gains, net of approximately HK\$7.5 million). Other losses, net mainly consisted of allowance for expected credit losses recognised for trade receivables and contract assets and net loss on termination of lease for the Period. The decrease in other gains/(losses), net was mainly due to absence of one-off recognition of gain on modification of promissory note recognised for the six months ended 30 September 2022 for the Period.

Administrative and operating expenses

The Group's administrative and operating expenses for the Period increased by approximately 9.0% to approximately HK\$7.9 million (2022: approximately HK\$7.2 million) as compared with that for the same period of the previous year. The administrative and operating 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 15.4% to approximately HK\$6.0 million (2022: approximately HK\$7.1 million) as compared with that for the same period of the previous year. The finance costs mainly consisted of interest expenses for the promissory note and default interest of convertible notes.

Net Loss

The net loss of the Group for the Period increased by approximately 147.0% to approximately HK\$2.6 million (2022: approximately HK\$1.1 million) as compared with that for the same period of previous year. The increase net loss was mainly due to combined effect of increase in gross profit and absence of one-off recognition of gain on modification of promissory note recognised for the six months ended 30 September 2022.

Loss per Share

The basic loss per Share attributable to the owners of the Company was approximately HK0.07 cent (2022: approximately HK0.03 cent).

Prospects

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

Going forward, the prospect of provision of civil engineering services is expected to be challenging in the coming years. The competition in the market is still as fierce as ever. To tackle with the forthcoming difficulties, the Group has been actively monitoring market conditions and taking appropriate measures to mitigate any negative impact on the business and performance of the Group. The Group will closely monitor the projects' progress and communicate with suppliers and subcontractors, maintain close communication with customers on the latest project works schedules and arrangements. The Group will also continue to strengthen its cost control measures and resources management policies, and actively participate in tendering and bidding to maintain its market competitiveness. Despite the difficulties encountered, the Group is conservatively optimistic on the Group's construction business as a result of the long-term infrastructure investment policy in Hong Kong. The Group is well positioned to capitalize on this growth opportunity, thanks to our strong brand reputation, experienced management team, and dedicated workforce and remains committed to driving sustainable growth in this segment and creating long-term value for the shareholders of the Company.

Media and advertising business

During the year, the performance of media and advertising services segment was severely suffered due to uncertain economic outlook and weak consumer demands. The Group anticipated that the prospects for the media and advertising business will become more promising in the coming year due to the improved macroeconomic atmosphere and market conditions coupled with the increase in clients' advertising budgets. The Group will monitor the advertising market situation in Hong Kong closely with strategic plans in controlling the operation costs and expenses whilst allocating its resources to maintaining the servicing quality and seeking for other business opportunities in the industry.

The Group will continue to cautiously monitor the business opportunities and continue to strengthen its competitiveness in the market to enhance the profitability of the Group and interests of the shareholders of the Company.

Capital Structure

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

Total equity attributable to the owners of the Company amounted to approximately HK\$399.0 million in deficit as at 30 September 2023 (31 March 2023: approximately HK\$396.3 million). The decrease in equity was mainly resulted from net loss for the Period.

Liquidity and Financial Resources

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

As at 30 September 2023, the Group had net current liabilities of approximately HK\$419.4 million (31 March 2023: approximately HK\$370.5 million), including cash balance of approximately HK\$52.1 million (31 March 2023: approximately HK\$51.6 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 0.33 as at 30 September 2023 (31 March 2023: approximately 0.37).

Gearing Ratio

The gearing ratio, which is based on the total amount of promissory note and convertible notes, lease liabilities and contract liabilities divided by total assets, was approximately 173.8% as at 30 September 2023 (31 March 2023: approximately 160.8%).

Foreign Exchange Exposure

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

Capital Commitment

As at 30 September 2023, the Group did not have any significant capital commitment (as at 31 March 2023: nil).

Charges on the Group's Assets

As at 30 September 2023, the Group's machineries with net book values amounted to approximately HK\$7.3 million (31 March 2023: approximately HK\$9.4 million) were held under finance lease.

Contingent Liabilities

As at 30 September 2023, the Group did not have any material contingent liabilities (31 March 2023: Nil).

Dividends

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

Information on Employees

As at 30 September 2023, the Group had 228 full-time employees in Hong Kong and over 90% of them are direct labour. Total staff costs (including Directors' remuneration) for the Period amounted to approximately HK\$53.8 million (2022: approximately HK\$49.7 million), representing an increase of approximately 8.2% over that for the previous year.

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

Significant Investment Held

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

Future Plans for Material Investments and Capital Assets

As at 30 September 2023, the Group did not have other plans for material investments and capital assets (31 March 2023: Nil).

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

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

Share Option Scheme

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

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

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

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

As at 30 September 2023, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Cap. 571, Laws of Hong Kong) (“SFO”)) which have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO); or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

Long position in the Shares:

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

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

Saved as disclosed above, as at 30 September 2023, none of the Directors and chief executive of the Company had any other interests or short positions in any Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules.

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

So far as was known to the Directors, as at 30 September 2023, 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:

Name	Number of Shares held		Number of underlying Shares under convertible notes (<i>Note a</i>)		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 (<i>Note b</i>)	–	1,311,378,622 (<i>Note b</i>)	–	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 (<i>Note b</i>)	–	1,311,378,622 (<i>Note b</i>)	2,499,999,999	61.65%

Notes:

- (a) Details of the convertible notes were set out in the circulars of the Company dated 19 November 2011, 6 January 2015, 17 January 2018, 16 January 2019 and 18 May 2021.
- (b) China Xinhua NNC is wholly and beneficially owned by CNC China. Accordingly, CNC China is deemed to be interested in the 1,188,621,377 Shares and 1,311,378,622 underlying Shares held by China Xinhua NNC under the SFO.

Saved as disclosed above, as at 30 September 2023, the Directors were not aware of any other person/entity (other than the Directors or chief executive as disclosed in the paragraph headed "Directors' and chief executive's interests and short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations" above) who/which had, or is deemed to have, interests or short positions in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who/which were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or who/which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this announcement, none of the Directors and their respective associates including spouses and children under 18 years of age was granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company or any other body corporate, or had exercised any such right during the Period.

PURCHASE, SALE OR REDEMPTION OF THE SHARES

During the Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares.

CONNECTED TRANSACTIONS

During the Period, the Group entered into following the continuing connected transaction:

Television Broadcasting Right Agreement

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

The Board wishes to inform the shareholders and potential investors of the Company that upon expiry of the Television Broadcasting Right Agreement on 31 August 2021, Xinhua TV Asia-Pacific and China Xinhua NNC has yet to conclude on the renewal of a new agreement due to the delay in the commencement of negotiations. Notwithstanding the expiration of the Television Broadcasting Right Agreement, Xinhua TV Asia-Pacific and China Xinhua NNC are in discussion for a renewal up to the date of this announcement. However, there is no assurance that Xinhua TV Asia-Pacific and China Xinhua NNC will be able to conclude on the renewal of a new agreement at any time. 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 C.1.8 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.

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

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 the insurance cover on 30 August 2020, the Company did not arrange appropriate insurance cover in respect of legal action against its Directors as it took time for the Company to solicit a suitable insurer at reasonable commercial terms and conditions.

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 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.

As at the date of this announcement, the members of the Audit Committee were Ms. Tang Li, Mr. Law Cheuk Hung, Mr. Wu Guo Ming and Mr. Wan Chi Keung, Aaron, *BBS, JP*. Following the resignation of certain former Director on 14 October 2022, there will be a vacancy for chairman of the Audit Committee and there will be no independent non-executive directors have appropriate professional qualifications or accounting or related financial management expertise as required under the terms of reference 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, 22 November 2023

*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 and Mr. Wan Chi Keung, Aaron, *BBS, JP*³.*

¹ *Executive Director*

² *Non-executive Director*

³ *Independent non-executive Director*

This announcement will remain on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page for at least seven days from the day of its posting and the Company’s website at <http://www.cnctv.hk>.