



# THIRD QUARTERLY REPORT 2011/12



**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



## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, 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.

*Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*This report, for which the directors (the “Director(s)”) 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 report 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 report misleading.*



## HIGHLIGHTS

- The Group's turnover for the nine months ended 31 December 2011 increased by approximately 8.7% to approximately HK\$150.8 million (2010: approximately HK\$138.8 million).
- Loss attributable to owners of the Company for the nine months ended 31 December 2011 was approximately HK\$16.5 million (2010: profit of approximately HK\$10.1 million).
- Basic loss per Share for the nine months ended 31 December 2011 was approximately HK1.43 cents (2010: HK1.17 cents for basic earnings per Share).
- The Board does not recommend the payment of any dividend for the nine months ended 31 December 2011.



The board of Directors (the “Board”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months and nine months ended 31 December 2011, together with the unaudited comparative figures for the corresponding periods in 2010, as follows:

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months and nine months ended 31 December 2011

	Notes	Nine months ended 31 December		Three months ended 31 December	
		2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Revenue	3	150,811	138,769	64,665	42,453
Cost of services		(136,264)	(119,042)	(58,928)	(35,057)
Gross profit		14,547	19,727	5,737	7,396
Other income	3	184	391	5	371
Administrative expenses		(26,380)	(7,526)	(16,515)	(2,859)
(Loss)/profit from operations	5	(11,649)	12,592	(10,773)	4,908
Finance costs		(3,465)	(303)	(2,987)	(54)
(Loss)/profit before income tax		(15,114)	12,289	(13,760)	4,854
Income tax	6	(1,374)	(2,215)	(276)	(1,126)
(Loss)/profit and total comprehensive income for the period attributable to owners of the Company		(16,488)	10,074	(14,036)	3,728
(Loss)/earnings per share attributable to owners of the Company	8				
— Basic and diluted (HK cents)		(1.43)	1.17	(1.07)	0.38

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 31 December 2011

	Share capital HK\$'000	Share premium account HK\$'000	Capital reserves HK\$'000	Share options reserves HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Proposed dividend HK\$'000	Total equity HK\$'000
As at 1 April 2011	992	19,976	—	—	9,868	14,944	—	45,780
Total comprehensive income for the period	—	—	—	—	—	(16,488)	—	(16,488)
Deferred tax arising from issue of Convertible Notes	—	—	(3,464)	—	—	—	—	(3,464)
Placing of new Shares	198	34,125	—	—	—	—	—	34,323
Share placement expenses	—	(1,003)	—	—	—	—	—	(1,003)
Issue of Convertible Notes upon acquisition of subsidiaries	—	—	20,997	—	—	—	—	20,997
Issue of Shares upon acquisition of subsidiaries	474	673,082	—	—	—	—	—	673,556
Equity-settled share options arrangement	—	—	—	6,027	—	—	—	6,027
Release of share option reserve upon cancellation of equity-settled share options arrangement	—	—	—	(6,027)	—	6,027	—	—
As at 31 December 2011	1,664	726,180	17,533	—	9,868	4,483	—	759,728
As at 1 April 2010	9,868	—	—	—	—	8,472	4,000	22,340
Total comprehensive income for the period	—	—	—	—	—	10,074	—	10,074
Reorganisation	(9,868)	—	—	—	9,868	—	—	—
Capitalisation of share premium account	744	(744)	—	—	—	—	—	—
Issue of Shares pursuant to the Listing	248	31,496	—	—	—	—	—	31,744
Share placement expenses	—	(10,776)	—	—	—	—	—	(10,776)
2010 final dividend paid	—	—	—	—	—	—	(4,000)	(4,000)
2011 first interim dividend paid	—	—	—	—	—	(1,984)	—	(1,984)
Proposed 2011 second interim dividend	—	—	—	—	—	(1,290)	1,290	—
As at 31 December 2010	992	19,976	—	—	9,868	15,272	1,290	47,398



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2011

### 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, Hong Kong respectively.

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

The principal activity of the Company is investment holding. The subsidiaries are engaged in the provision of waterworks engineering services, road works and drainage services and site formation works for the public sector in Hong Kong. In the current period, the Group commenced the business of broadcasting the television programmes on television channels operated by television broadcasting companies in return for advertising and related revenue.

On 3 February 2012, the Company announced that the name of the Company has been changed from "Tsun Yip Holdings Limited 進業控股有限公司" to "CNC Holdings Limited 中國新華電視控股有限公司" with effect from 16 January 2012.

### 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated third quarterly financial statements for the nine months ended 31 December 2011 (the "Quarterly Financial Statements") have been prepared to comply with the disclosure requirements of the GEM Listing Rules.

The accounting policies and method of the computation used in the preparation of the Quarterly Financial Statements are consistent with those used in the annual report for the year ended 31 March 2011. The Group has adopted new or revised standards, amendments to standards and interpretation of Hong Kong Financial Reporting Standards ("HKFRSs") which are effective for accounting periods commencing on or after 1 April 2011. The adoption of such new or revised standards, amendments to standard and interpretation does not have material impact on the Quarterly Financial Statements and does not result in substantial changes to the Group's accounting policies.

The Quarterly Financial Statements have been prepared under the historical cost convention and are presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Company and its subsidiaries.



### 3. REVENUE AND OTHER INCOME

An analysis of revenue and other income recognised during the periods are as follows:

	Nine months ended 31 December		Three months ended 31 December	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
<b>Revenue</b>				
Turnover — revenue from construction works	150,811	138,769	64,665	42,453
<b>Other income</b>				
Interest income	6	1	2	1
Sundry income	178	390	3	370
	184	391	5	371

### 4. OPERATING SEGMENTS

The executive Directors have identified the following reportable operating segments:

- (i) Provision of waterworks and civil services — Provision of waterworks engineering services, road works and drainage services and site formation works for public sector in Hong Kong; and
- (ii) Television broadcasting business — the business of broadcasting the television programmes on television channels operated by television broadcasting companies 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. There are no inter-segment sales between the respective segments for both periods.

#### 4. OPERATING SEGMENTS *(Continued)*

Information regarding the Group's reportable segments provided by the executive Directors is set out below:

##### For the nine months ended 31 December 2011

	Provision of waterworks and civil services (Unaudited) HK\$'000	Television broadcasting business (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Revenue from external customers	150,811	—	150,811
Other income	178	—	178
<b>Reportable segment revenue</b>	<b>150,989</b>	<b>—</b>	<b>150,989</b>
<b>Reportable segment results</b>	<b>12,410</b>	<b>(12,092)</b>	<b>318</b>
Unallocated corporate income			6
Unallocated expenses			(11,973)
Finance costs			(3,465)
<b>Loss before income tax</b>			<b>(15,114)</b>

##### For the nine months ended 31 December 2010

	Provision of waterworks and civil services (Unaudited) HK\$'000	Television broadcasting business (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Revenue from external customers	138,769	—	138,769
Other income	390	—	390
<b>Reportable segment revenue</b>	<b>139,159</b>	<b>—</b>	<b>139,159</b>
<b>Reportable segment results</b>	<b>13,356</b>	<b>—</b>	<b>13,356</b>
Unallocated corporate income			1
Unallocated expenses			(765)
Finance costs			(303)
<b>Profit before income tax</b>			<b>12,289</b>





## 5. (LOSS)/PROFIT FROM OPERATIONS

(Loss)/profit from operations is arrived at after charging the following:

	Nine months ended 31 December		Three months ended 31 December	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Amortisation of intangible assets	3,506	—	3,506	—
Equity-settled share-based payment	6,027	—	5,201	—
Loss on disposals of property, plant and equipment	49	75	—	72

## 6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the periods.

	Nine months ended 31 December		Three months ended 31 December	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Current tax — Hong Kong profits tax — Tax for the period	1,497	2,154	884	898
Deferred tax — Tax for the period	(123)	61	(608)	228
	1,374	2,215	276	1,126

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

## 7. DIVIDENDS

The dividends distributed for the three months and nine months ended 31 December 2010 and 2011 were as follows:

	Nine months ended 31 December		Three months ended 31 December	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Dividend distributed by the Company (Note i)	—	1,984	—	1,984
Dividend distributed by the subsidiaries of the Company (Note ii)	—	4,000	—	—
	—	5,984	—	1,984

The Board does not recommend the payment of any dividend for the nine months ended 31 December 2011.

Notes:

- (i) At a meeting on 9 November 2010, the Board declared the first interim dividend of HK\$0.2 cent per Share, totaling HK\$1,984,000 for the six months ended 30 September 2010.
- (ii) The amount represented dividends declared and paid by the Company's subsidiaries to their then shareholders prior to the Listing. The rate of dividend and the number of shares ranking for dividend are not presented as such information is not meaningful for the purpose of the Quarterly Financial Statements.

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

The calculations of basic loss per Share for the three months and nine months ended 31 December 2011 are based on the unaudited consolidated loss of HK\$14,036,000 and HK\$16,488,000 attributable to owners of the Company for each of the three months and nine months ended 31 December 2011 respectively (three months and nine months ended 31 December 2010: profit of HK\$3,728,000 and HK\$10,074,000 respectively) and the weighted average number of 1,308,983,916 Shares and 1,149,990,255 Shares in issue (pro forma weighted average number of Shares in issue for the three months and nine months ended 31 December 2010: 992,000,000 and 857,629,091 respectively) as if they had been in issue throughout the periods.

The diluted loss per Share for the three months and nine months ended 31 December 2011 are not presented as the potential ordinary Shares had an anti-dilutive effect on the basic loss per Share for the period.

There were no dilutive potential ordinary Shares in existence for the three months and nine months ended 31 December 2010 and therefore no diluted earnings per Share have been presented.



## 9. SHARE CAPITAL

	Number of Shares	Nominal value HK\$'000
<b>Authorised</b>		
As at 1 April 2011 and 31 December 2011 (Unaudited)	500,000,000,000	500,000
<b>Issued and fully paid</b>		
As at 1 April 2011	992,000,000	992
Issue of Shares pursuant to the placing (Note i)	198,400,000	198
Issue of Shares upon acquisition of subsidiaries of the Company (Note ii)	474,335,664	474
As at 31 December 2011 (Unaudited)	1,664,735,664	1,664

Notes:

- (i) On 21 July 2011, 198,400,000 Shares of HK\$0.001 each were issued by way of the placing at the price of HK\$0.173 per Share for cash consideration of approximately HK\$34,323,000. The premium totaling approximately HK\$34,125,000 arising from the above subscription of Shares, net of share issue expenses of approximately HK\$1,003,000, has been credited directly to the share premium account.
- (ii) During the period, the Company issued and allotted 474,335,664 Shares as part of the consideration for the acquisition of Xinhua TV Asia-Pacific Operating Co., Limited ("Xinhua TV Asia-Pacific") and its subsidiaries. The fair values of these consideration shares were approximately HK\$673,556,000 which were based on the closing bid price of the Company's Shares on 9 December 2011. The Company recognised an amount of approximately HK\$474,000 and approximately HK\$673,082,000 in share capital and share premium respectively. These Shares rank *pari passu* in all respects with then existing Shares in issue.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The Group is principally engaged in the provision of waterworks engineering services, road works and drainage services and site formation works for the public sector in Hong Kong. Following the completion of acquisition of subsidiaries which are principally engaged in the business of television broadcasting on 9 December 2011, the Group diversifies its business to the media industry by providing television broadcasting and advertising services in the Asia Pacific regions (excluding the People's Republic of China (the "PRC")).

During the nine months ended 31 December 2011, the Group continued to focus on rendering waterworks engineering services to the public sector in Hong Kong and at the same time, commenced to develop its business on television broadcasting in return for advertising revenue.

During the nine months ended 31 December 2011, the Group has been undertaking two main contracts and five subcontracts, all of which are related to provision of waterworks engineering services. Details of the contracts undertaken are set out below:

	Contract number	Particulars of contract
Main contracts	9/WSD/09	Replacement and rehabilitation of water mains, stage 3 — mains in Sai Kung
	8/WSD/11	Construction of Pak Shek Kok Fresh Water Service Reservoir Extension
Subcontracts	21/WSD/06	Replacement and rehabilitation of water mains, stage 2 — mains in Tai Po and Fanling
	18/WSD/08	Replacement and rehabilitation of water mains, stage 3 — mains on Hong Kong Island South and outlying islands
	1/WSD/09(W)	Term contract for Waterworks District W — New Territories West
	16/WSD/09	Salt water supply for Northwest New Territories — mainlaying in Yuen Long
	8/WSD/10	Replacement and rehabilitation of water mains, stage 4 phase 1 — mains in Tuen Mun, Yuen Long, North District and Tai Po

Among the above seven contracts, one main contract (contract numbered 8/WSD/11) and one subcontract (contract numbered 8/WSD/10) were newly awarded during the nine months ended 31 December 2011.

During the period under review, the two contracts with contracts numbered 8/WSD/10 and 9/WSD/09 were the main contributors to the Group's revenue, which generated approximately HK\$50.8 million and HK\$40.8 million revenue, constituting approximately 33.7% and 27.1% of the Group's total revenue respectively.

Aimed at maximizing profit and return for the Group and the shareholders of the Company, the Group is exploring new business opportunity to broaden its source of income and expand the business operations.



Towards the strategy of maximizing profit and return, on 28 July 2011, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with an independent third party to acquire 17% of the equity interests of China New Media (HK) Company Limited (“China New Media”) at a consideration of approximately HK\$70.0 million, comprising cash of HK\$25.0 million and a 3% per annum interest-bearing promissory note of approximately HK\$45.0 million. China New Media is principally engaged in outdoor advertising in Hong Kong, specializing in advertising spaces in lifts and outer walls of buildings. The transaction was completed on 11 August 2011.

In addition, on 6 September 2011, the Company entered into a sale and purchase agreement with independent third parties to acquire the entire equity interests of Xinhua TV Asia-Pacific and its subsidiaries at a consideration of HK\$700.0 million, comprising approximately HK\$93.0 million by issuance of 474,335,664 Shares at HK\$0.196 per Share and approximately HK\$607.0 million by issue of 5% per annum interest-bearing convertible notes at conversion price of HK\$0.196 per Share and would be convertible into 3,097,092,908 Shares (the “Convertible Notes”). Xinhua TV Asia-Pacific is principally engaged in the business of television broadcasting in the Asia Pacific regions (excluding the PRC). It has been granted the exclusive television broadcasting right and thus entitled to offer the information contents from Xinhua News Agency and produce its own contents in the Asia Pacific regions (excluding the PRC) and to receive advertising revenue from advertisements on TV channels. The transaction was completed on 9 December 2011.

## Financial Review

### Revenue

For the nine months ended 31 December 2011, the Group reported a turnover of approximately HK\$150.8 million (2010: HK\$138.8 million), representing an increase of approximately 8.7% as compared with that for the corresponding period of the previous financial year. The higher turnover was mainly due to the increase in works from the replacement and rehabilitation of water mains stage 3 — mains in Sai Kung (contract numbered 9/WSD/09) and the commencement of new contract of the replacement and rehabilitation of water mains stage 4 phase 1 — mains in Tuen Mun, Yuen Long, North District and Tai Po (contract numbered 8/WSD/10). In addition, the Group did not derive any advertising revenue from television broadcasting business during the period.

During the period under review, the revenue of the Group was primarily generated from the undertaking of waterworks contracts in the capacity of a subcontractor. The subcontracting revenue amounted to approximately HK\$109.8 million (2010: approximately HK\$122.6 million), representing approximately 72.8% of the total revenue for the period (2010: 88.3%). On the other hand, the revenue generated from the undertaking of waterworks contracts in the capacity of a main contractor amounted to approximately HK\$41.0 million (2010: approximately HK\$16.2 million), representing approximately 27.2% of the total revenue for the period (2010: approximately 11.7%).

### Cost of services

The Group’s cost of services mainly include costs of construction services, transmission costs, broadcasting fee and amortisation of television broadcasting right. Costs of construction services mainly comprise raw materials, direct labour and subcontracting fee for services provided by the subcontractors. Transmission costs comprise satellite transmission fee and carriage fee payable to satellite operator while broadcasting fee comprises annual fee payable to media broadcasting providers and China Xinhua News Network Co., Limited (“China Xinhua NNC”), a shareholder of the Company. The Group’s cost of services increased by approximately 14.5% to approximately HK\$136.3 million for the nine months ended 31 December 2011 (2010: approximately HK\$119.0 million) as compared with that for the same period of previous year.

### Gross profit

The gross profit of the Group for the nine months ended 31 December 2011 decreased by approximately 26.3% to approximately HK\$14.5 million (2010: approximately HK\$19.7 million) as compared with that for the same period of previous year. The gross profit margin of the Group decreased slightly to approximately 9.6% for the nine months ended 31 December 2011 (2010: approximately 14.2%). The decrease in gross profit and gross profit margin was largely as a consequence of the increase in sub-contracting fee and direct labour cost and certain projects reaching a work stage with relatively thinner gross profit margin and also incurrence of cost of services for television broadcasting business.



### Other income

The Group's other income for the nine months ended 31 December 2011 amounted to approximately HK\$184,000 (2010: approximately HK\$391,000).

### Administrative expenses

The Group's administrative expenses for the nine months ended 31 December 2011 increased by approximately 2.5 times to approximately HK\$26.4 million (2010: approximately HK\$7.5 million) as compared with that for the same period of previous year. The administrative expenses mainly consisted of legal and professional fees, share-based payment expenses, staff costs (including Directors' remuneration) and business development expenses. The increase in the administrative expenses was mainly attributable to the costs incurred in connection with the acquisition of the entire issued share capital of Xinhua TV Asia-Pacific and the full recognition of share-based payment expenses due to cancellation of share options arrangement and the increase in legal and professional fees for services provided by the professional parties after the Listing.

### Finance expenses

The Group's finance costs for the nine months ended 31 December 2011 increased by approximately 10.4 times to approximately HK\$3.5 million (2010: approximately HK\$303,000) as compared with that for the same period of previous year. The increase was mainly attributable to the incurrence of interest expenses for the promissory note and Convertible Notes.

### Net Loss

The Group recorded a net loss attributable to owners of the Company of approximately HK\$16.5 million (2010: net profit of approximately HK\$10.1 million) for the nine months ended 31 December 2011. The net loss was mainly resulted from the decrease in gross profit margin, the increase in legal and professional fees in administrative expense, full recognition of share-based payment expenses upon cancellation of share options arrangement and finance costs on the promissory note and Convertible Notes.

### Loss per Share

The basic loss per Share was approximately HK1.43 cents (2010: earnings per Share HK1.17 cents).

### Prospects

In relation to the acquisition of Xinhua TV Asia-Pacific and its subsidiaries, the Group has issued certain profit warnings during nine months ended 31 December 2011 and informed the public that certain costs incurred in the acquisition would experience a significant impact on the Group's results. Such costs include one-off legal and professional fee incurred in the acquisition, amortisation charges on the television broadcasting right and finance costs on the Convertible Notes. Except one-off legal and professional fee, the annual expenses for both amortisation charges on the television broadcasting right and finance costs on the Convertible Notes are recurring in nature and are expected to have continuing effect on the Group's results up to the respective expiry date of the television broadcasting right (i.e. 31 August 2021) and the Convertible Notes (i.e. 8 December 2014). As such, the final results for the year ending 31 March 2012 will be expected to have significant impact as compared with previous financial year.



### **Provision of waterworks and civil services**

The performance of Group's waterworks business was comparable of the corresponding period of last financial year. During the nine months ended 31 December 2011, the Group has obtained two new waterworks contracts. On 7 October 2011, a subsidiary of the Group, Tsun Yip Civil Construction Company Limited ("TYCivil"), received a confirmation letter from the Works Branch of the Hong Kong SAR Government that it has been included in the List of Approved Contractors for Public Works (Waterworks) ("Approved List") under Group C on a probation status. As a result, TYCivil is eligible to tender for waterworks contracts with value exceeding HK\$75 million ("Group C"), subject to two conditions: (1) the total number of Group C contract already held and being procured does not exceed two Group C contracts and (2) the total value of works in Group C contract(s) already held and being procured does not exceed HK\$220 million in aggregate. The inclusion of TYCivil in the Approved List under Group C enables the Group to take up contracts of a larger scale and capture more potential business opportunities.

In the coming years, it is believed that the replacement and rehabilitation programme of water mains (the "R&R Programme") launched by Water Supplies Department of the Hong Kong government ("WSD") will continue to open up numerous waterworks opportunities to the Group. According to WSD, Stage 4 Phase 1 of the R&R Programme has commenced in March 2011 and will be completed in 2015. About 500 kilometres of water mains will be replaced and rehabilitated at this stage. Stage 4 Phase 2 of the R&R Programme is scheduled to commence in 2012 and will be completed in 2015. About 350 kilometres of water mains will be replaced and rehabilitated at this stage. On 16 December 2011, the Group has successfully obtained another new main contract for construction of Pak Shek Kok Fresh Water Service Reservoir Extension (contract numbered 8/WSD/11), with contract sum of approximately HK\$45.7 million.

### **Television broadcasting business**

Following the completion of the acquisition of Xinhua TV Asia-Pacific and its subsidiaries, the Group diversifies its business to television broadcasting business. Xinhua TV Asia-Pacific has developed a broadcasting network of television channels with relatively extensive scale. Currently, it is broadcasting the television programmes relating to information contents from Xinhua News Agency in Hong Kong, Macau, Thailand, New Zealand and Mongolia. Its broadcasting scope will be extended to more countries as time progress. Leveraging on the extensive network of reporters worldwide and resources available to Xinhua News Agency in producing television programmes, it is believed that viewership will increase with appropriate promotional effort and therefore the business will bring in substantial advertising revenue to the Group in the future.

## **CAPITAL RAISING EXERCISE**

On 8 July 2011, the Company entered into a placing agreement with Emperor Securities Limited pursuant to which the Company agreed to place a maximum of 198,400,000 new Shares to not less than six placees at a price of HK\$0.173 per placing Share (the "Placing of 198,400,000 New Shares").

The Placing of 198,400,000 New Shares was completed on 21 July 2011 and raised gross proceeds of approximately HK\$34.3 million.

## **DIVIDENDS**

The Board does not recommend the payment of any dividend for the nine months ended 31 December 2011.



## SHARE OPTION SCHEME

The Share Option Scheme was adopted and approved by the shareholders on 11 August 2010. 45,000,000 share options were granted pursuant to the Share Option Scheme on 12 August 2011. On 18 October 2011, all share options were cancelled. None of the share option has been exercised before its cancellation. Details of share options are set out below.

Grantees	Date of grant (dd/mm/yy)	Exercisable period (dd/mm/yy)	Number of options					Balance at 31 December 2011
			Balance at 1 April 2011	Granted during the period	Exercise during the period	Lapsed during the period	Cancelled during the period	
<b>Directors</b>								
Kan Kwok Cheung ("Mr. Kan")	12/08/11	12/08/12 to 11/08/14	—	9,900,000	—	—	(9,900,000)	—
Cheng Ka Ming, Martin ("Mr. Cheng")	12/08/11	12/08/12 to 11/08/14	—	9,900,000	—	—	(9,900,000)	—
Chia Thien Loong, Eric John ("Mr. Chia")	12/08/11	12/08/12 to 11/08/14	—	9,900,000	—	—	(9,900,000)	—
Hui Chi Kwong	12/08/11	12/08/12 to 11/08/14	—	1,000,000	—	—	(1,000,000)	—
<b>In aggregate</b>			—	30,700,000	—	—	(30,700,000)	—
Employees	12/08/11	12/08/12 to 11/08/14	—	7,000,000	—	—	(7,000,000)	—
<b>In aggregate</b>			—	7,000,000	—	—	(7,000,000)	—
Consultants, advisors, and other eligible participants	12/08/11	12/08/12 to 11/08/14	—	7,300,000	—	—	(7,300,000)	—
<b>In aggregate</b>			—	7,300,000	—	—	(7,300,000)	—
<b>Total</b>			—	45,000,000	—	—	(45,000,000)	—



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

As at 31 December 2011, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO") which have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO); or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

*Long position in the Shares:*

Name	Capacity/Nature of interest	Number of Shares held	Percentage of issued share capital
Mr. Kan ( <i>Note a</i> )	Interest in controlled corporation	409,200,000	24.58%
Mr. Cheng ( <i>Note b</i> )	Interest in controlled corporation	163,680,000	9.83%
Mr. Chia ( <i>Note c</i> )	Interest in controlled corporation	157,120,000	9.44%

*Notes:*

- (a) *Mr. Kan is the sole beneficial owner of Shunleetat (BVI) Limited ("Shunleetat"), which was interested in 409,200,000 Shares. Under the SFO, Mr. Kan is deemed to be interested in all the Shares held by Shunleetat.*
- (b) *Mr. Cheng is the sole beneficial owner of Chuwei (BVI) Limited ("Chuwei"), which was interested in 163,680,000 Shares. Under the SFO, Mr. Cheng is deemed to be interested in all the Shares held by Chuwei.*
- (c) *Mr. Chia is the sole beneficial owner of Lotawater (BVI) Limited ("Lotawater") and Purplelight (BVI) Limited ("Purplelight"), which were interested in 79,000,000 and 78,120,000 Shares respectively. Under the SFO, Mr. Chia is deemed to be interested in all the Shares held by Lotawater and Purplelight.*

Saved as disclosed above, as at 31 December 2011, none of the Directors and chief executive of the Company had any other interests or short positions in any Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules.

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

So far as was known to the Directors, as at 31 December 2011, the following persons/entities (other than the Directors or chief executive of the Company) had, or are deemed to have, interests or short positions in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who/which were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or who/which were recorded in the register required to be kept by the Company under Section 336 of the SFO with details as follows:

*Long position in the Shares and underlying Shares:*

Name	Number of Shares held			Number of underlying Shares under Convertible Notes (Note a)		Total interests	Percentage of aggregate interests to total issued share capital
	Beneficial owner	Interest in controlled corporation	Spouse interest	Beneficial owner	Interest in controlled corporation		
China Xinhua NNC	474,335,664 (Note b)	—	—	2,025,664,336 (Note b)	—	2,500,000,000	150.17%
中國新華新聞電視網有限公司	—	474,335,664 (Note b)	—	—	2,025,664,336 (Note b)	2,500,000,000	150.17%
Proud Glory Investments Limited	—	—	—	892,857,143 (Note c)	—	892,857,143	53.63%
Lee Yuk Lun	—	—	—	—	892,857,143 (Note c)	892,857,143	53.63%
Lam Shun Kiu, Rosita	—	—	409,200,000 (Note d)	—	—	409,200,000	24.58%
Shunleetat (BVI) Limited	409,200,000 (Note d)	—	—	—	—	409,200,000	24.58%
APT Satellite TV Development Limited	—	—	—	178,571,429 (Note e)	—	178,571,429	10.73%
APT Satellite Holdings Limited	—	—	—	—	178,571,429 (Note e)	178,571,429	10.73%
APT Satellite International Company Limited	—	—	—	—	178,571,429 (Note e)	178,571,429	10.73%
中國航天科技集團公司	—	—	—	—	178,571,429 (Note e)	178,571,429	10.73%
中國衛星通信集團有限公司	—	—	—	—	178,571,429 (Note e)	178,571,429	10.73%
Chuwei (BVI) Limited	163,680,000 (Note f)	—	—	—	—	163,680,000	9.83%
Wan Pui Ki	—	—	157,120,000 (Note g)	—	—	157,120,000	9.44%



- (a) *Details of the Convertible Notes are set out in the circular of the Company dated 19 November 2011.*
- (b) *China Xinhua NNC is wholly and beneficially owned by 中國新華新聞電視網有限公司. Accordingly, 中國新華新聞電視網有限公司 is deemed to be interested in the 2,500,000,000 underlying Shares held by China Xinhua NNC under the SFO.*
- (c) *Proud Glory Investments Limited is wholly and beneficially owned by Lee Yuk Lun. Accordingly, Lee Yuk Lun is deemed to be interested in the 892,857,143 underlying Shares held by Proud Glory Investments Limited.*
- (d) *Shunleetat is wholly and beneficially owned by Mr. Kan. Accordingly, Mr. Kan is deemed to be interested in the 409,200,000 Shares held by Shunleetat under the SFO. Ms. Lam Shun Kiu, Rosita is the spouse of Mr. Kan and is deemed to be interested in 409,200,000 Shares held by Mr. Kan under the SFO.*
- (e) *APT Satellite Holdings Limited, APT Satellite International Company Limited, 中國航天科技集團公司 and 中國衛星通信集團有限公司 are controlling shareholders, either directly or indirectly, of APT Satellite TV Development Limited. Accordingly, APT Satellite Holdings Limited, APT Satellite International Company Limited, 中國航天科技集團公司 and 中國衛星通信集團有限公司 are deemed to be interested in the 178,571,429 underlying Shares held by APT Satellite TV Development Limited under the SFO.*
- (f) *Chuwei is wholly and beneficially owned by Mr. Cheng. Accordingly, Mr. Cheng is deemed to be interested in the 163,680,000 Shares held by Chuwei under the SFO.*
- (g) *Ms. Wan Pui Ki is the spouse of Mr. Chia and is deemed to be interested in total 157,120,000 Shares held by Mr. Chia under the SFO.*

Saved as disclosed above, as at 31 December 2011, 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 report, 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 nine months ended 31 December 2011.

## **PURCHASE, SALE OR REDEMPTION OF THE SHARES**

During the nine months ended 31 December 2011, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares.

## **COMPLIANCE ADVISER'S INTEREST IN THE COMPANY**

As at 31 December 2011, as notified by the Company's compliance adviser, Optima Capital Limited (the "Compliance Adviser"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 20 August 2010, neither the Compliance Adviser nor its directors, employees or associates had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.



## COMPETING INTERESTS

### Interest in Vietnam Infrastructure (BVI) Limited

An executive Director, Mr. Chia, is the director and the beneficial owner of Vietnam Infrastructure (BVI) Limited, a company engaged in the provision of civil engineering services in Vietnam. The civil engineering services provided by Vietnam Infrastructure (BVI) Limited are similar to those provided by the Group but are limited to Vietnam. Mr. Chia confirms that Vietnam Infrastructure (BVI) Limited does not intend to extend its business to Hong Kong. As the Group and Vietnam Infrastructure (BVI) Limited are carrying on business in two distinct jurisdictions, the Directors consider that the business of Vietnam Infrastructure (BVI) Limited is not in direct competition with that of the Group.

Save as disclosed above, during the nine months ended 31 December 2011, none of the Directors and their respective associates is interested in any business which competes or is likely to compete, directly or indirectly, with the business of the Group under the GEM Listing Rules.

## CONNECTED TRANSACTIONS

During the nine months ended 31 December 2011, the Group entered into following continuing connected transactions:

### Lease Agreement

A lease agreement which expired on 31 October 2011 (the "Expired Lease Agreement") was entered into between the Company's subsidiary, Tsun Yip Waterworks Construction Company Limited (as tenant), and Hong Kong Listco Limited ("HKLC") (as landlord) in relation to the office premises situated at Rooms No. 1 and 3, 7/F., Anton Building, 1 Anton Street, Wanchai, Hong Kong at a monthly rent of HK\$4,000. The Expired Lease Agreement has a term of 30 months from 1 May 2009 to 31 October 2011. On 1 November 2011, a new lease agreement (the "New Lease Agreement") has been entered into between the Company (as tenant) and HKLC (as landlord) in relation to the aforesaid premises situated on 7/F. (except room No. 2), Anton Building, 1 Anton Street, Wanchai, Hong Kong at a monthly rent of HK\$15,000. The New Lease Agreement has a term of 24 months from 1 November 2011 to 31 October 2013.

The aforesaid office premises were leased by HKLC from Super Pizza Holdings Limited. HKLC is a company incorporated in Hong Kong and is wholly and beneficially owned by Mr. Chia; and Super Pizza Holdings Limited is a company incorporated in Hong Kong and is owned as to 50% by Mr. Chia, who is also the sole director of both HKLC and Super Pizza Holdings Limited.

### Announcement Posting Agreement

On 1 June 2010 and 30 June 2011, the Company entered into agreements (the "Announcement Posting Agreements") with HKLC pursuant to which HKLC will provide the Company with the service of dissemination of announcements including hosting and posting of announcements, press releases or other documents as required by the GEM Listing Rules on the website(s) of the Group at a monthly service fee of HK\$750 for a term of one year commencing from 1 July 2010 and 1 July 2011 respectively. The Company considers it more cost effective to engage a professional firm to take up this report posting obligation after Listing.



## 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 China Xinhua News Network Worldwide Channel (中國新華新聞電視網環球頻道) on television channels in the Asia Pacific regions (excluding the PRC) to Xinhua TV Asia-Pacific for annual fee of HK\$1.0 million prior to 31 December 2016 and 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. Following the completion of the acquisition of Xinhua TV Asia-Pacific on 9 December 2011, the transaction constitutes continuing connected transaction for the Company pursuant to Chapter 20 of the GEM Listing Rules.

## GEM Listing Rules Implications

Except for the Television Broadcasting Right Agreement, given that the annual rental payable under the Expired Lease Agreement and the New Lease Agreement and the annual service fee payable under the Announcement Posting Agreements referred to above are both less than HK\$1.0 million and none of the percentage ratios, on an annual basis, equals or exceeds 5%, and that the Expired Lease Agreement, the New Lease Agreement and the Announcement Posting Agreements were entered into in the ordinary and usual course of business of the Group, the transactions under the aforesaid agreements are exempt continuing connected transactions of the Company pursuant to Rule 20.33(3)(c) of the GEM Listing Rules, which are exempt from reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules.

Save as disclosed above, none of the Directors and their respective associates has any other conflict of interests with the Group during the nine months ended 31 December 2011.

## 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 nine months ended 31 December 2011.

## 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 nine months ended 31 December 2011.



## AUDIT COMMITTEE

The Audit Committee was established on 11 August 2010 with terms of reference in compliance with paragraph C3.3 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 Audit Committee consisted of four members, three of them are independent non-executive Directors and one is non-executive Director. As at 31 December 2011, the members of the Audit Committee are Mr. Chan Hon Yuen, Ms. Liang Hui, Mr. Chu Siu Lun, Ivan and Mr. Hau Chi Kit. Mr. Chan Hon Yuen is the chairman of the Audit Committee.

The Audit Committee had reviewed the unaudited condensed consolidated results of the Group for the nine months ended 31 December 2011 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**  
**Wu Jin Cai**  
*Chairman and Executive Director*

Hong Kong, 8 February 2012

As at the date of this report, the Board comprises the following Directors:

*Executive Directors:*

Wu Jin Cai  
Zou Chen Dong  
Wu Xu Hong  
Kan Kwok Cheung  
Cheng Ka Ming, Martin  
Chia Thien Loong, Eric John  
Hui Chi Kwong

*Non-executive Director:*

Liang Hui

*Independent non-executive Directors:*

Chan Hon Yuen  
Chu Siu Lun, Ivan  
Hau Chi Kit