

2012/2013 First Quarterly Report

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



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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 revenue for the three months ended 30 June 2012 increased by approximately 101.1% to approximately HK\$71.3 million (2011: HK\$35.5 million).
- Loss attributable to owners of the Company for the three months ended 30 June 2012 was approximately HK\$24.6 million (2011: profit of approximately HK\$0.1 million).
- Basic loss per Share for the three months ended 30 June 2012 was approximately HK1.47 cents (2011: basic earnings per Share of approximately HK0.01 cent).
- The Board does not recommend the payments of any dividend for the three months ended 30 June 2012.

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 ended 30 June 2012, together with the unaudited comparative figures for the corresponding period in 2011, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months ended 30 June 2012

	Notes	Three months ended 30 June	
		2012 HK\$'000	2011 HK\$'000
Revenue	3	71,347	35,486
Cost of services		(81,779)	(31,669)
Gross (loss)/profit		(10,432)	3,817
Other revenue	3	2	2
Selling and distribution expenses		(423)	—
Administrative expenses		(5,624)	(3,101)
(Loss)/profit from operations	5	(16,477)	718
Finance costs		(10,331)	(55)
(Loss)/profit before income tax		(26,808)	663
Income tax	6	2,170	(521)
(Loss)/profit and total comprehensive (loss)/income for the period		(24,638)	142
(Loss)/earnings per Share attributable to owners of the Company	8		
— Basic and diluted (HK cents)		(1.47)	0.01

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 30 June 2012

	Share capital HK\$'000	Share premium account HK\$'000	Convertible notes equity reserves HK\$'000	Other reserves HK\$'000	(Accumulated losses)/ retained earnings HK\$'000	Total equity HK\$'000
As at 1 April 2012	1,664	725,506	17,381	9,868	(683,926)	70,493
Loss and total comprehensive loss for the period	—	—	—	—	(24,638)	(24,638)
Issue of Shares pursuant to the placing	10	9,990	—	—	—	10,000
Share placement expenses	—	(407)	—	—	—	(407)
As at 30 June 2012 (unaudited)	1,674	735,089	17,381	9,868	(708,564)	55,448
As at 1 April 2011	992	19,976	—	9,868	14,944	45,780
Profit and total comprehensive income for the period	—	—	—	—	142	142
As at 30 June 2011 (unaudited)	992	19,976	—	9,868	15,086	45,922

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2012

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 Rooms 2601–2605, 26/F., China Resources Building, 26 Harbour Road, Wanchai, 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 and business of broadcasting television programmes on television channels operated by television broadcasting companies in the Asia-Pacific region (excluding the People's Republic of China ("PRC")) in return for advertising and related revenue.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated first quarterly financial statements for the three months ended 30 June 2012 (the "Quarterly Financial Statements") have been prepared to comply with the disclosure requirements of the GEM Listing Rules.

The accounting policies and method of 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 2012. 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 2012. The adoption of such new or revised standards, amendments to standards 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 REVENUE

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

	Three months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Revenue		
Revenue from construction works	68,211	35,486
Advertising income	3,136	—
	71,347	35,486
Other revenue		
Interest income	2	2

4. SEGMENT INFORMATION

Information reported to the executive Directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided are:

- (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 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.

Segment revenue and results

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

4. SEGMENT INFORMATION *(Continued)*

For the three months ended 30 June 2012

	Provision of waterworks and civil services HK\$'000 (Unaudited)	Television broadcasting business HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue from external customers	68,211	3,136	71,347
Other revenue	—	—	—
Reportable segment revenue	68,211	3,136	71,347
Reportable segment results	1,017	(14,025)	(13,008)
Unallocated corporate income			2
Unallocated expenses			(3,471)
Finance costs			(10,331)
Loss before income tax			(26,808)

For the three months ended 30 June 2011

	Provision of waterworks and civil services HK\$'000 (Unaudited)	Television broadcasting business HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue from external customers	35,486	—	35,486
Other revenue	—	—	—
Reportable segment revenue	35,486	—	35,486
Reportable segment results	2,013	—	2,013
Unallocated corporate income			2
Unallocated expenses			(1,297)
Finance costs			(55)
Profit before income tax			663

4. SEGMENT INFORMATION *(Continued)*

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the three months ended 30 June 2012 (2011: Nil).

Segment profit/(loss) represents the profit earned/loss incurred by each segment without allocation of interest income, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

5. (LOSS)/PROFIT FROM OPERATIONS

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

	Three months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Amortisation of intangible assets (included in cost of services)	14,125	—
Amortisation of film rights (included in cost of services)	848	—
Depreciation of property, plant and equipment	2,195	1,425
Loss on disposals of property, plant and equipment	55	1

6. INCOME TAX

The amount of income tax in the unaudited condensed consolidated statement of comprehensive income represents:

	Three months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Current tax — Hong Kong Profits tax		
— current period	259	535
Deferred tax		
— current period	(2,429)	(14)
Income tax	(2,170)	521

6. INCOME TAX *(Continued)*

Hong Kong profits tax is calculated at 16.5% (2011: 16.5%) on the estimated assessable profits during the periods.

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.

No provision for Macau profits tax has been made as the subsidiary incorporated in Macau has no assessable profit arising in Macau during the periods.

7. DIVIDENDS

The Board does not recommend the payments of any dividend for the three months ended 30 June 2012 (2011: Nil).

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

The calculations of basic loss per Share for the three months ended 30 June 2012 is based on the unaudited consolidated loss of approximately HK\$24,638,000 attributable to owners of the Company for the three months ended 30 June 2012 (2011: profit of approximately HK\$142,000) and the weighted average number of 1,673,526,873 Shares in issue for the three months ended 30 June 2012 (2011: 992,000,000 Shares) as if they had been in issue throughout the periods.

The diluted loss per Share for the three months ended 30 June 2012 is 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 ended 30 June 2011 and therefore no diluted earnings per Share amounts had been presented.

9. SHARE CAPITAL

	Number of Shares	Nominal value HK\$'000
Authorised:		
As at 1 April 2012 and 30 June 2012 (Unaudited)	500,000,000,000	500,000
Issued and fully paid:		
As at 1 April 2012	1,664,735,664	1,664
Issue of Shares pursuant to the placing (Note)	10,000,000	10
As at 30 June 2012 (Unaudited)	1,674,735,664	1,674

Note:

On 29 March 2012, the Company entered into top-up placing and subscription agreements with Lotawater (BVI) Limited ("Lotawater") and Polaris Securities (Hong Kong) Limited to place an aggregate of 10,000,000 Shares to not less than six placees at a price of HK\$1.0 per placing Share. Pursuant to the subscription agreement, Lotawater agreed to subscribe for 10,000,000 Shares at a price of HK\$1.0 per subscription Share. The top-up placing and subscription was completed on 12 April 2012 and raised gross proceeds of HK\$10.0 million. The premium totalling approximately HK\$9,990,000 arising from the above subscription of Shares, net of share issue expenses of approximately HK\$407,000, has been credited directly to the share premium account.

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 and business of broadcasting television programmes on television channels operated by television broadcasting companies in the Asia-Pacific region (excluding the PRC) in return for advertising and related revenue. During the three months ended 30 June 2012 (the "Period"), the Group continued to focus on rendering waterworks engineering services to the public sector in Hong Kong and at the same time, develop its business in television broadcasting.

Provision of waterworks and civil services

During the Period, the Group has been undertaking three main contracts and three subcontracts. Among the six contracts, five are related to provision of waterworks engineering services and the other is related to drainage 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
	DC/2012/04	Sewerage in Kau Lung Hang San Wai, Kau Lung Hang Lo Wai and Tai Hang
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
	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 six contracts, one main contract (contract numbered DC/2012/04) was newly awarded during the Period.

During the Period under review, the two contracts with contract number 18/WSD/08 and 8/WSD/10 were the main contributors to the results of provision of waterworks and civil services.

Television broadcasting business

The Group's production of the ten-episode television feature programme "Hong Kong, Hong Kong" was completed in June 2012. The Chinese version and English version of the television feature programme were broadcasted in the China Xinhua News Network World Channel (the "CNC Channel") (Chinese) and CNC Channel (English) from late June 2012 to early July 2012. CNC Channel (Chinese) and CNC Channel (English) are currently broadcasted in more than sixty countries and regions worldwide. The television feature programme was also broadcasted in Hong Kong Cable TV Channel No. 66 and the prime time slots of forty-three television channels in the PRC, including Jiangsu TV (江蘇衛視), Heilongjiang TV (黑龍江衛視), Guangdong TV (廣東電視台) and Tianjin TV (天津電視台). The television feature programme received good responses from audiences.

In addition, during the Period under review, the Group had successfully entered into an advertising agreement pursuant to which the Group was entitled to receive the minimum guarantee of HK\$5.0 million for selling the advertising time slot in between programmes in Hong Kong Cable TV Channel No. 66 from 1 April 2012 to 30 September 2012. The advertisement fee is recognised as the Group's advertising revenue along the broadcasting period.

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

Financial Review

Revenue

During the Period, the Group reported a revenue of approximately HK\$71.3 million (2011: HK\$35.5 million), representing an increase of approximately 101.1% as compared with that for the same period of the previous year. The revenue derived from provision of waterworks and civil services and television broadcasting business constituted approximately 95.6% and 4.4% of the Group's total revenue respectively. The higher revenue was mainly due to the increase in works from construction of Pak Shek Kok Fresh Water Service Reservoir Extension (contract number 8/WSD/11) and the replacement and rehabilitation of water mains stage 4 phase 1 — mains in Tuen Mun, Yuen Long, North District and Tai Po (contract number 8/WSD/10). With the commencement of television broadcasting business during the Period, the Group derived advertising revenue of approximately HK\$3.1 million (2011: Nil).

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\$44.6 million (2011: HK\$24.5 million), representing approximately 62.5% of the total revenue for the Period (2011: 68.9%). On the other hand, the revenue generated from the undertaking of waterworks contracts in the capacity of a main contractor amounted to approximately HK\$23.6 million (2011: HK\$11.0 million), representing approximately 33.1% of the total revenue for the Period (2011: 31.1%).

Cost of services

The Group's cost of services increased by approximately 158.2% to approximately HK\$81.8 million for the Period (2011: HK\$31.7 million) as compared with that for the same period of previous year. Cost of services mainly includes costs of construction services, transmission costs, broadcasting fee and amortisation charges on television broadcasting right and film rights. Cost of construction services mainly comprises raw materials, direct labour and subcontracting fee for the 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.

Gross (loss)/profit

The gross loss of the Group for the Period was approximately HK\$10.4 million (2011: gross profit of approximately HK\$3.8 million). The gross loss margin of the Group was approximately 14.6% for the Period (2011: gross profit margin of approximately 10.8%). The gross loss and gross loss margin was largely as a consequence of the incurrence of cost of services for television broadcasting business including amortisation charges on television broadcasting right, the increase in direct labour cost and subcontracting cost and certain projects reaching a work stage with relatively thinner gross profit margin.

Other revenue

The Group's other revenue for the Period amounted to approximately HK\$2,000 (2011: HK\$2,000).

Selling and distribution expenses

The Group's selling and distribution expenses for the Period amounted to approximately HK\$423,000 (2011: Nil). The selling and distribution expenses mainly consisted of advertising expenses for the television broadcasting business for the Period.

Administrative expenses

The Group's administrative expenses for the Period increased by approximately 81.4% to approximately HK\$5.6 million (2011: HK\$3.1 million) as compared with that for the same period of previous year. The administrative expenses mainly consisted of auditor's remuneration, legal and professional fees, staff costs (including Directors' remuneration), depreciation expenses and rental expenses. The increase in the administrative expenses was mainly attributable to the increase in staff costs and rental expenses due to expansion of business.

Finance costs

The Group's finance costs for the Period increased by approximately 186.8 times to approximately HK\$10.3 million (2011: HK\$55,000) 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\$24.6 million (2011: net profit of approximately HK\$0.1 million) for the Period. The net loss was mainly resulted from the decrease in gross profit margin, incurrence of finance costs on the promissory note and convertible notes and the increase in administrative expenses.

Loss per Share

The basic loss per Share was approximately HK1.47 cents (2011: basic earnings per Share of approximately HK0.01 cent).

Prospects

On 27 July 2012, the Group published a profit warning announcement to inform the public that certain costs, such as amortisation charges on the television broadcasting right and finance costs on the convertible notes would have a significant impact on the Group's results for the Period. 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 television broadcasting right (i.e. 31 August 2021) and the convertible notes (i.e. 9 December 2014).

However, with the commencement of the television broadcasting business, the Group is well positioned to compete favorably and benefit from rising performance of television broadcasting business in coming years. We expect that television broadcasting business will be the key driver of our future revenue growth while the provision of waterworks and civil services will continue to contribute stable revenue to the Group.

Provision of waterworks and civil services

The performance of the Group's waterworks business was comparable with that of the same period of the previous year. 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 had 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.

Not only will the R&R Programme launched by WSD continue to open up numerous waterworks opportunities to the Group, the infrastructure and development projects being currently implemented or to be implemented by the Group, roads and drainage works and site formation works will also create tremendous business opportunities to the Group in the future. On 13 June 2012, the Group and Hsin Chong Construction Company Limited have jointly obtained a new main contract of sewerage in Kau Lung Hang San Wai, Kau Lung Hang Lo Wai and Tai Hang (contract numbered DC/2012/04) with total contract sum of approximately HK\$178.1 million. We believe that the Group is able to take up more contracts and capture more potential business opportunities.

Going forward, the Group will continue to improve its quality of service and enhance management capabilities and competitiveness to bid for more rewarding engineering contracts in Hong Kong and to further scale up the Group's business.

Television broadcasting business

The Group has diversified its business to television broadcasting business and strengthened its income stream upon the commencement of television broadcasting business. The Group 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. The Directors believe that the Group's broadcasting scope will be extended to more countries as time progresses. 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 and related revenue to the Group in the future.

The Group will continue to negotiate with potential television broadcasting companies, advertising companies and advertising clients on selling advertising time slots in our channels in return for advertising revenue. By leveraging on the brand name of Xinhua News Agency, the Group could save brand development and marketing costs in promoting and negotiating with them.

In addition, with the great success of the television feature programme "Hong Kong, Hong Kong", the Group will continue to produce information contents in the future as and when appropriate. The broadcasting of self-produced information contents will help to build up and enhance local viewership with information contents of local interest in languages commonly used locally and also enhance the media revenue stream by tailor-making certain information contents related to particular advertising clients.

Such advertising revenue from broadcasting of self-produced information contents and sales of advertising time slots in between programmes is expected to enlarge and diversify the Group's income stream, which is consistent with its strategy of broadening its source of income, thereby providing significant growth potential for the Group. The Group will continue to put effort on expanding the television broadcasting business in the long run. We believe that it will be one of our bright areas in the coming future.

CAPITAL RAISING EXERCISE

On 29 March 2012, the Company entered into top-up placing and subscription agreements with Lotawater and Polaris Securities (Hong Kong) Limited to place an aggregate of 10,000,000 Shares to not less than six places at a price of HK\$1.0 per placing Share. Pursuant to the subscription agreement, Lotawater agreed to subscribe for 10,000,000 Shares at a price of HK\$1.0 per subscription Share. The top-up placing and subscription was completed on 12 April 2012 and raised gross proceeds of HK\$10.0 million.

Details of the top-up placing and subscription are set out in the announcements of the Company dated 29 March 2012 and 12 April 2012.

DIVIDENDS

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

SHARE OPTION SCHEME

A share option scheme was adopted and approved by the shareholders on 11 August 2010 (the "Share Option Scheme"). No share options have been granted pursuant to the Share Option Scheme during the Period.

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 June 2012, 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	Number of Shares held	Number of underlying Shares under convertible notes <i>(Note d)</i>	Total interests	Percentage of aggregate interests to total issued share capital
	Interest in controlled corporation	Interest in controlled corporation		
Dr. Lee Yuk Lun <i>("Dr. Lee") (Note a)</i>	—	892,857,143	892,857,143	53.31%
Mr. Kan Kwok Cheung <i>("Mr. Kan") (Note b)</i>	409,200,000	—	409,200,000	24.43%
Mr. Chia Thien Loong, Eric John <i>("Mr. Chia") (Note c)</i>	125,210,000	—	125,210,000	7.48%

Notes:

- (a) *Dr. Lee is the sole beneficial owner of Proud Glory Investments Limited ("Proud Glory"), which was interested in 892,857,143 underlying Shares. Under the SFO, Dr. Lee is deemed to be interested in all the underlying Shares held by Proud Glory.*
- (b) *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.*
- (c) *Mr. Chia is the sole beneficial owner of Lotawater and Purplelight (BVI) Limited ("Purplelight"), which were interested in 37,090,000 and 88,120,000 Shares respectively. Under the SFO, Mr. Chia is deemed to be interested in all the Shares held by Lotawater and Purplelight.*
- (d) *Details of the convertible notes are set out in the circular of the Company dated 19 November 2011.*

Saved as disclosed above, as at 30 June 2012, 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 June 2012, 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 (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	149.28%
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	149.28%
Proud Glory	—	—	—	892,857,143 (Note c)	—	892,857,143	53.31%
Ms. Lam Shun Kiu, Rosita	—	—	409,200,000 (Note d)	—	—	409,200,000	24.43%
Shunleetat	409,200,000 (Note d)	—	—	—	—	409,200,000	24.43%
APT Satellite TV Development Limited	—	—	—	178,571,429 (Note e)	—	178,571,429	10.66%
APT Satellite Holdings Limited	—	—	—	—	178,571,429 (Note e)	178,571,429	10.66%
APT Satellite International Company Limited	—	—	—	—	178,571,429 (Note e)	178,571,429	10.66%
中國航天科技集團公司	—	—	—	—	178,571,429 (Note e)	178,571,429	10.66%
中國衛星通信集團有限公司	—	—	—	—	178,571,429 (Note e)	178,571,429	10.66%
Ms. Wan Pui Ki	—	—	125,210,000 (Note f)	—	—	125,210,000	7.48%
Chuwei (BVI) Limited	109,050,000 (Note g)	—	—	—	—	109,050,000	6.51%
Mr. Cheng Ka Ming, Martin	—	109,050,000 (Note g)	—	—	—	109,050,000	6.51%

Notes:

- (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 474,335,664 Shares and 2,025,664,336 underlying Shares held by China Xinhua NNC under the SFO.*
- (c) *Proud Glory is wholly and beneficially owned by Dr. Lee. Accordingly, Dr. Lee is deemed to be interested in the 892,857,143 underlying Shares held by Proud Glory under the SFO.*
- (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 Shunleetat 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) *Ms. Wan Pui Ki is the spouse of Mr. Chia and is deemed to be interested in total 125,210,000 Shares held by Lotawater and Purplelight under the SFO.*
- (g) *Chuwei (BVI) Limited is wholly and beneficially owned by Mr. Cheng Ka Ming, Martin. Accordingly, Mr. Cheng Ka Ming, Martin is deemed to be interested in the 109,050,000 Shares held by Chuwei (BVI) Limited.*

Saved as disclosed above, as at 30 June 2012, 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 Period.

PURCHASE, SALE OR REDEMPTION OF THE SHARES

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

COMPLIANCE ADVISER'S INTEREST IN THE COMPANY

As at 30 June 2012, 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 Period, none of the Directors, controlling shareholders 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 Period, the Group entered into following continuing connected transactions:

Lease Agreement

A lease agreement (the "Lease Agreement") has been entered into between the Company (as tenant) and Hong Kong Listco Limited ("HKLC") (as landlord) in relation to the office premises situated at 7/F. (except room No. 2), Anton Building, 1 Anton Street, Wanchai, Hong Kong at a monthly rent of HK\$15,000. The 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 15 May 2012 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 2012 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 Operating Co., Limited (“Xinhua TV Asia-Pacific”) entered into a television broadcasting right agreement (the “Television Broadcasting Right Agreement”) with China Xinhua NNC, pursuant to which China Xinhua NNC granted the television broadcasting right in respect of broadcasting information contents from Xinhua News Agency under CNC Channel on television channels in the Asia-Pacific region (excluding the PRC) to the Group for an 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 the Xinhua TV Asia-Pacific on 9 December 2011, Xinhua TV Asia-Pacific became a wholly-owned subsidiary of the Company and China Xinhua NNC became a substantial shareholder of the Company, and is therefore a connected person of the Company within meaning of the GEM Listing Rules. As a result, 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.

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.

Except for the Television Broadcasting Right Agreement, given that the annual rental payable under the 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 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, 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.

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and enhance the performance of the Group. The Company has applied the principles and code provisions in the Corporate Governance Code (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.

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 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 five members, four of them are independent non-executive Directors and one of them is non-executive Director. As at 30 June 2012, the members of the Audit Committee are Mr. Chan Hon Yuen, Mr. Chu Siu Lun, Ivan, Mr. Hau Chi Kit, Ms. Liang Hui and Mr. Jin Hai Tao. Mr. Chan Hon Yuen was the chairman of the Audit Committee.

The Audit Committee had reviewed the Quarterly Financial Statements and is of the opinion that the preparation of such statements 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, 9 August 2012

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

Executive Directors:

Mr. Wu Jin Cai
Dr. Lee Yuk Lun
Mr. Zou Chen Dong
Ms. Wu Xu Hong
Mr. Kan Kwok Cheung
Mr. Chia Thien Loong, Eric John

Non-executive Director:

Ms. Liang Hui

Independent non-executive Directors:

Mr. Chan Hon Yuen
Mr. Chu Siu Lun, Ivan
Mr. Hau Chi Kit
Mr. Jin Hai Tao