2012/2013 Interim 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

CNC HOLDINGS

8356 • HK

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.

Highlights

- The Group's revenue for the six months ended 30 September 2012 increased by approximately 61.4% to approximately HK$139.1 million (2011: HK$86.1 million).
- Loss attributable to owners of the Company for the six months ended 30 September 2012 was approximately HK$48.6 million (2011: HK$2.5 million).
- Basic loss per Share for the six months ended 30 September 2012 was approximately HK2.90 cents (2011: HK0.23 cent).
- The Board does not recommend the payment of any dividend for the six months ended 30 September 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 six months ended 30 September 2012, together with the unaudited comparative figures for the corresponding periods in 2011, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 September 2012

		Six months ended 30 September		Three months ended 30 September	
	Notes	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Revenue	*3*	**139,070**	86,146	**67,723**	50,660
Cost of services		**(159,218)**	(77,336)	**(77,439)**	(45,667)
Gross (loss)/profit		**(20,148)**	8,810	**(9,716)**	4,993
Other revenue	*3*	**493**	179	**491**	177
Selling and distribution expenses		**(423)**	—	**—**	—
Administrative expenses		**(12,596)**	(9,865)	**(6,972)**	(6,764)
Loss from operations	*5*	**(32,674)**	(876)	**(16,197)**	(1,594)
Finance costs	*7*	**(20,770)**	(478)	**(10,439)**	(423)
Loss before income tax		**(53,444)**	(1,354)	**(26,636)**	(2,017)
Income tax	*8*	**4,818**	(1,098)	**2,649**	(577)
Loss and total comprehensive loss for the period		**(48,626)**	(2,452)	**(23,987)**	(2,594)
Loss per Share attributable to owners of the Company — Basic and diluted (HK cent(s))	*10*	**(2.90)**	(0.23)	**(1.43)**	(0.23)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2012

	Notes	As at 30 September 2012 (Unaudited) HK$'000	As at 31 March 2012 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	*11*	**29,442**	20,648
Goodwill		**151,194**	151,194
Intangible assets	*12*	**520,901**	549,306
Available-for-sale financial assets	*13*	**67,141**	67,141
		768,678	788,289
Current assets			
Inventories		**21,617**	22,286
Trade and other receivables	*14*	**59,166**	56,773
Pledged bank deposits		**—**	2,005
Tax recoverable		**1,007**	1,134
Cash and cash equivalents		**17,011**	10,011
		98,801	92,209
Total assets		**867,479**	880,498
Current liabilities			
Trade and other payables	*16*	**106,244**	77,616
Finance lease payables	*17*	**1,704**	1,676
Borrowings	*18*	**—**	3,208
Employee benefits		**2,351**	1,951
		110,299	84,451
Net current (liabilities)/assets		**(11,498)**	7,758
Total assets less current liabilities		**757,180**	796,047

	Notes	As at 30 September 2012 (Unaudited) HK$'000	As at 31 March 2012 (Audited) HK$'000
Non-current liabilities			
Other payables	*16*	**1,544**	866
Finance lease payables	*17*	**2,195**	2,530
Promissory note	*19*	**42,881**	42,336
Convertible notes	*20*	**588,588**	584,365
Deferred tax liabilities		**90,512**	95,457
		725,720	725,554
Total liabilities		**836,019**	810,005
NET ASSETS		**31,460**	70,493
Capital and reserves			
Share capital	*21*	**1,674**	1,664
Reserves		**29,786**	68,829
TOTAL EQUITY		**31,460**	70,493

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 September 2012

	Share capital HK$'000	Share premium account HK$'000	Convertible notes equity reserves HK$'000	Share options reserves HK$'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	**—**	**—**	**—**	**—**	**—**	**(48,626)**	**(48,626)**
Issue of shares pursuant to the placing	**10**	**9,990**	**—**	**—**	**—**	**—**	**10,000**
Share placement expenses	**—**	**(407)**	**—**	**—**	**—**	**—**	**(407)**
As at 30 September 2012 (unaudited)	**1,674**	**735,089**	**17,381**	**—**	**9,868**	**(732,552)**	**31,460**
As at 1 April 2011	992	19,976	—	—	9,868	14,944	45,780
Loss and total comprehensive loss for the period	—	—	—	—	—	(2,452)	(2,452)
Issue of Shares pursuant to the placing	198	34,125	—	—	—	—	34,323
Share placement expenses	—	(1,003)	—	—	—	—	(1,003)
Equity-settled share options arrangement	—	—	—	826	—	—	826
As at 30 September 2011 (unaudited)	1,190	53,098	—	826	9,868	12,492	77,474

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 September 2012

	Six months ended 30 September	
	2012	2011
	HK$'000	HK$'000
Net cash generated from operating activities	**9,681**	4,406
Net cash used in investing activities	**(9,980)**	(31,875)
Net cash generated from financing activities	**7,299**	34,600
Net increase in cash and cash equivalents	**7,000**	7,131
Cash and cash equivalents at beginning of period	**10,011**	16,233
Cash and cash equivalents at end of period	**17,011**	23,364

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 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 PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2012 (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 ("HKASs"), 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.

The accounting policies and method of 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 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 impacts on the Interim Financial Statements and does not result in substantial changes to the Group's accounting policies.

The Interim 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:

	Six months ended 30 September		Three months ended 30 September	
	2012 (Unaudited) HK$'000	2011 (Unaudited) HK$'000	**2012 (Unaudited) HK$'000**	2011 (Unaudited) HK$'000
Revenue				
Revenue from construction works	**132,056**	86,146	**63,845**	50,660
Advertising income	**7,014**	—	**3,878**	—
	139,070	86,146	**67,723**	50,660
Other revenue				
Interest income	**3**	4	**1**	2
Sundry income	**490**	175	**490**	175
	493	179	**491**	177

4. SEGMENT INFORMATION

Information reported to the executive Directors of the Company, 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.

(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 and 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. SEGMENTS INFORMATION *(Continued)*

For the six months ended 30 September 2012

	Provision of waterworks and civil services HK$'000 (Unaudited)	Television broadcasting business HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Revenue from external customers	132,056	7,014	139,070
Other revenue	490	—	490
Reportable segment revenue	132,546	7,014	139,560
Reportable segment results	1,601	(26,847)	(25,246)
Unallocated corporate income			3
Unallocated expenses			(7,431)
Finance costs			(20,770)
Loss before income tax			(53,444)

For the six months ended 30 September 2011

	Provision of waterworks and civil services HK$'000 (Unaudited)	Television broadcasting business HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Revenue from external customers	86,146	—	86,146
Other revenue	175	—	175
Reportable segment revenue	86,321	—	86,321
Reportable segment results	4,671	—	4,671
Unallocated corporate income			4
Unallocated expenses			(5,551)
Finance costs			(478)
Loss before income tax			(1,354)

4. SEGMENTS INFORMATION *(Continued)*

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the six months ended 30 September 2012 (30 September 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.

Information about major customers

During the six months ended 30 September 2012, included in revenue arising from provision of waterworks and civil services of approximately HK$132,056,000 (2011: HK$86,146,000) are revenue generated from two (2011: three) customers amounting to approximately HK$121,700,000 (2011: HK$85,576,000). Each customer has individually accounted for over 10% of the Group's total revenue. No other single customer contributed 10% or more to the Group's revenue for the six months ended 30 September 2011 and 2012.

Revenue from major customers is as follows:

	Six months ended 30 September	
	2012 **(Unaudited)** **HK$'000**	2011 (Unaudited) HK$'000
Customer A	**28,102**	42,021
Customer B	**93,598**	16,440
Customer C	**10,356**	27,115
Others	**—**	570
	132,056	86,146

5. LOSS FROM OPERATIONS

Loss from operations is arrived at after charging the following:

	Six months ended 30 September		Three months ended 30 September	
	2012 (Unaudited) HK$'000	2011 (Unaudited) HK$'000	**2012 (Unaudited) HK$'000**	2011 (Unaudited) HK$'000
Amortisation of intangible assets (included in cost of services)	**28,405**	—	**14,280**	—
Amortisation of film rights (included in cost of services)	**1,516**	—	**668**	—
Contract costs recognised as expense	**125,798**	77,336	**60,741**	45,667
Depreciation of property, plant and equipment	**4,722**	3,093	**2,527**	1,668
Loss on disposal of property, plant and equipment	**—**	49	**—**	49
Staff costs *(note 6)*	**27,989**	22,150	**13,970**	12,490

6. STAFF COSTS

	Six months ended 30 September		Three months ended 30 September	
	2012 (Unaudited) HK$'000	2011 (Unaudited) HK$'000	**2012 (Unaudited) HK$'000**	2011 (Unaudited) HK$'000
Staff costs (including Directors' remuneration) comprise:				
Wages, salaries and other benefits	**27,110**	20,641	**13,607**	11,363
Contribution to defined contribution retirement plan	**879**	817	**363**	435
Share-based payment expenses	**—**	692	**—**	692
	27,989	22,150	**13,970**	12,490

7. FINANCE COSTS

	Six months ended 30 September		Three months ended 30 September	
	2012 **(Unaudited)** **HK$'000**	2011 (Unaudited) HK$'000	**2012** **(Unaudited)** **HK$'000**	2011 (Unaudited) HK$'000
Interest on:				
Finance leases payable	**98**	78	**50**	48
Borrowings wholly repayable within five years	**10**	66	**—**	41
Promissory note	**1,223**	334	**617**	334
Convertible Notes	**19,439**	—	**9,772**	—
	20,770	478	**10,439**	423

8. INCOME TAX

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

	Six months ended 30 September		Three months ended 30 September	
	2012 **(Unaudited)** **HK$'000**	2011 (Unaudited) HK$'000	**2012** **(Unaudited)** **HK$'000**	2011 (Unaudited) HK$'000
Current tax — Hong Kong Profits tax — current period	**127**	613	**(133)**	78
Deferred tax — current period	**(4,945)**	485	**(2,516)**	499
Income tax	**(4,818)**	1,098	**(2,649)**	577

Hong Kong profits tax is calculated at 16.5% (30 September 2011: 16.5%) on the estimated assessable profits for the period.

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 period.

9. DIVIDENDS

The Board does not recommend the payment of any dividend for each of the three months and six months ended 30 September 2012 respectively (2011: Nil).

10. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculations of basic loss per Share for the three months and six months ended 30 September 2012 is based on the unaudited consolidated loss of approximately HK$23,987,000 and HK$48,626,000 attributable to owners of the Company for each of the three months and six months ended 30 September 2012 respectively (three months and six months ended 30 September 2011: approximately HK$2,594,000 and HK$2,452,000 respectively) and the weighted average number of 1,674,735,664 Shares and 1,674,134,571 Shares in issue for the three months and six months ended 30 September 2012 respectively (weighted average number of Shares in issue for the three months and six months ended 30 September 2011: 1,145,113,044 Shares and 1,068,974,863 Shares respectively) as if they had been in issue throughout the periods.

The diluted loss per Share for the three months and six months ended 30 September 2012 are not presented as the potential ordinary shares had an anti-dilutive effect on the basic loss per Share for the period.

The diluted loss per Share for the three months and six months ended 30 September 2011 were not presented as the potential ordinary shares had an anti-dilutive effect on the basic loss per Share for the period.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2012, the Group acquired items of property, plant and equipment with aggregate cost of approximately HK$13,871,000 (six months ended 30 September 2011: HK$9,421,000). During the six months ended 30 September 2012, items of property, plant and equipment with carrying value of approximately HK$355,000 were disposed of (six months ended 30 September 2011: HK$56,000).

12. INTANGIBLE ASSETS

	As at 30 September 2012 (Unaudited) HK$'000	As at 31 March 2012 (Audited) HK$'000
Cost		
At beginning of period/year	**567,000**	—
Acquisition of subsidiaries	**—**	567,000
At end of period/year	**567,000**	567,000
Accumulated amortisation and impairment		
At beginning of period/year	**17,694**	—
Amortisation expenses for the period/year	**28,405**	17,694
At end of period/year	**46,099**	17,694
Net carrying amount at end of period/year	**520,901**	549,306

Intangible assets represent television broadcasting right acquired by the Group. The useful life of television broadcasting right is 10 years.

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 30 September 2012 (Unaudited) HK$'000	As at 31 March 2012 (Audited) HK$'000
Available-for-sale financial assets comprise:		
Unlisted investments, at cost		
— Equity securities	**67,141**	67,141
Analysed for reporting purposes as:		
Non-current assets	**67,141**	67,141

On 28 July 2011, the Group entered into an agreement with an independent third party to acquire 17% of equity interests in China New Media (HK) Company Limited ("China New Media") at an aggregate consideration of HK$70,040,000, comprising cash of HK$25,000,000 and a promissory note with principal amount of HK$45,040,000. The consideration was determined with reference to a valuation conducted by an independent professional valuer, Ample Appraisal Limited, under the income-based approach. 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.

The cost was determined by the Directors and represented the sum of the cash consideration, the fair value of the promissory note at the acquisition date using the effective interest method and the capitalized transaction cost. At the completion date of the transaction, the fair value of the consideration was approximately HK$67,141,000, comprising cash of HK$25,000,000, a promissory note with a fair value of approximately HK$41,660,000 and capitalised transaction cost of approximately HK$481,000.

14. TRADE AND OTHER RECEIVABLES

	As at 30 September 2012 (Unaudited) HK$'000	As at 31 March 2012 (Audited) HK$'000
Trade receivables *(note (i) & (iii))*	3,841	18,387
Retention receivables *(note (ii) & (iii))*	8,941	7,765
Other receivables and prepayments	13,402	11,994
Amounts due from customers for contract works *(note 15)*	29,800	15,497
Deposits	3,182	3,130
	59,166	56,773

Notes:

(i) *Trade receivables as at the end of the reporting period includes approximately HK$972,000 (31 March 2012: Nil) from television broadcasting business and approximately HK$2,869,000 (31 March 2012: HK$18,387,000) from provision of construction works on civil engineering contracts. For the television broadcasting business, the amount was due from a shareholder of the Company. For the provision of construction works on civil engineering contracts, the related customers are mainly government department/organisation and reputable corporations. These customers have established good track records with the Group and have no history of default payments. On this basis, the management of the Company believes that no impairment allowance is necessary in respect of the trade receivables as at the end of the reporting period. The Group does not hold any collateral over these balances.*

Included in trade and other receivables are trade receivables (net of impairment losses) with the following ageing analysis at the end of the reporting period:

	As at 30 September 2012 (Unaudited) HK$'000	As at 31 March 2012 (Audited) HK$'000
Current	3,841	18,387

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.

The balance of trade receivables is neither past due nor impaired.

(ii) *Retention monies withheld by customers of contract works are released after the completion of maintenance period of the relevant contract or in accordance with the terms specified in the relevant contract.*

(iii) *Trade and other receivables including the retention receivables are short term and hence the Directors consider the carrying amounts of trade and other receivables approximate their fair values at the end of the reporting periods.*

15. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORKS

	As at 30 September 2012 (Unaudited) HK$'000	As at 31 March 2012 (Audited) HK$'000
Contracts in progress at the end of the reporting period:		
Contract costs incurred to date plus recognised profits	**696,020**	563,963
Less: recognised losses	**—**	—
	696,020	563,963
Progress billings	**(683,040)**	(564,766)
	12,980	(803)
Analysed for reporting purposes as:		
Amounts due from customers for contract works *(note 14)*	**29,800**	15,497
Amounts due to customers for contract works *(note 16)*	**(16,820)**	(16,300)
	12,980	(803)

16. TRADE AND OTHER PAYABLES

	As at 30 September 2012 (Unaudited) HK$'000	As at 31 March 2012 (Audited) HK$'000
Trade payables	**30,813**	19,721
Retention money payables	**4,137**	3,610
Advance received from customers *(note (i))*	**2,200**	2,200
Amounts due to customers for contract works *(note 15)*	**16,820**	16,300
Amount due to a shareholder *(note (ii))*	**12,466**	11,017
Deferred revenue	**—**	500
Interest payable	**26,215**	10,320
Amount due to a related party *(note (iii))*	**2,009**	2,009
Other payables and accruals	**13,128**	12,805
	107,788	78,482
Less: Interest payable — non-current portion	**(1,544)**	(866)
	106,244	77,616

16. TRADE AND OTHER PAYABLES *(Continued)*

Notes:

(i) Advances received from customers are unsecured, interest free and repayable on demand.

(ii) Amount due to a shareholder represented amount due to a major shareholder, China Xinhua News Network Co., Limited ("China Xinhua NNC"), which is unsecured, interest-free and repayable on demand.

(iii) Amount due to a related party represented 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.

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 2012 (Unaudited) HK$'000	As at 31 March 2012 (Audited) HK$'000
Current or less than 1 month	**25,104**	11,917
1 to 3 months	**3,048**	35
More than 3 months but less than 12 months	**1,757**	7,497
More than 12 months	**904**	272
	30,813	19,721

17. FINANCE LEASES

The Group leases a number of its motor vehicles. Such assets are classified as finance leases as the rental period approximates the estimated useful economic lives of the assets concerned and often the Group has the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount.

At the end of the reporting period, the total future lease payments are due as follows:

	As at 30 September 2012		
	Minimum lease payments HK$'000 (Unaudited)	**Interest HK$'000 (Unaudited)**	**Present value HK$'000 (Unaudited)**
Not later than one year	**1,846**	**142**	**1,704**
Later than one year and not later than five years	**2,268**	**73**	**2,195**
	4,114	**215**	**3,899**

	As at 31 March 2012		
	Minimum lease payments HK$'000 (Audited)	Interest HK$'000 (Audited)	Present value HK$'000 (Audited)
Not later than one year	1,833	157	1,676
Later than one year and not later than five years	2,636	106	2,530
	4,469	263	4,206

18. BORROWINGS

	As at 30 September 2012 (Unaudited) HK$'000	As at 31 March 2012 (Audited) HK$'000
Interest bearings:		
Secured bank loans — on demand	—	3,208

During the reporting period ended 31 March 2012, the Group obtained a bank loan together with the banking facilities, which was secured by pledged bank deposits and a cross guarantee from a subsidiary of the Company and the Company. The bank loans carry variable interest at a rate of HIBOR plus 2.5% to 2.75% per annum. It is classified as current liabilities as the related loan agreements contain a clause that provides the lenders with an unconditional right to demand repayment at any time at its own discretion.

The outstanding bank loans had been fully repaid on 21 May 2012 and therefore the pledged bank deposits had been released.

19. PROMISSORY NOTE

A promissory note with a principal amount of HK$45,040,000 was issued by Profit Station Limited ("Profit Station"), a direct wholly owned subsidiary of the Company on 11 August 2011 (the "Issue Date") upon the completion of the acquisition of 17% equity interests in China New Media. The promissory note is unsecured, carried interest at the rate of 3% per annum and will mature on 11 August 2014. Profit Station might early redeem all or part of the promissory note at any time from the Issue Date. Unless previously redeemed, Profit Station will redeem the promissory note on its maturity date.

	As at 30 September 2012 (Unaudited) HK$'000	As at 31 March 2012 (Audited) HK$'000
At the beginning of period/year	42,336	—
Issuance of promissory note	—	41,660
Interest charged at as effective rate of 5.744%	1,223	1,542
Interest payable	(678)	(866)
At the end of period/year	42,881	42,336

19. PROMISSORY NOTE *(Continued)*

The fair value of the liability component of the promissory note was calculated using an equivalent market interest rate for an equivalent instrument at the Issue Date. The fair value of the liability component of the promissory note at the Issue Date amounted to approximately HK$42,968,000. The fair value is calculated using discounted cash flow method at a rate of 4.542%.

The fair value of the non-equity call option of approximately HK$1,308,000 was valued by Roma Appraisals Limited, an independent professional valuer, using Black-Scholes option pricing model at the Issue Date. The inputs into the model for the value of the non-equity call option were as follows:

Aggregate principal amount	HK$45,040,000
Aggregate redemption amount	HK$45,040,000
Expected option life	3 years
Risk-free rate	0.3%
Expected volatility	3.534%

The whole combined financial instrument, including liability component and non-equity call option was treated as a single compound embedded financial instrument. It was initially stated at fair value and was subsequently measured at amortised cost. The fair value of the promissory note at the Issue Date amounted to approximately HK$41,660,000. Interest expenses on the promissory note are calculated using the effective interest method by applying effective interest rate of 5.744%.

20. CONVERTIBLE NOTES

On 9 December 2011, the Company issued convertible notes (the "Convertible Notes") with principal amount of approximately HK$607,030,000, carried interest at the rate of 5% per annum as part of the consideration for the acquisition of Xinhua TV Asia-Pacific Operating Co., Limited ("Xinhua TV Asia-Pacific"). Each note entitles the holder to convert to ordinary shares at a conversion price of HK$0.196 per Share.

Conversion may occur at any time between 9 December 2011 and 9 December 2014. If the notes have not been converted, the Company will redeem the outstanding principal amount on 9 December 2014. Interest of 5% per annum will be paid annually until the notes are converted or redeemed.

The Convertible Notes contains two components, liability and equity component. The effective interest rate of the liability component is 6.64%.

	As at 30 September 2012 (Unaudited) HK$'000	As at 31 March 2012 (Audited) HK$'000
Equity component:		
At beginning of period/year	**20,997**	—
Issuance of Convertible Notes	**—**	20,997
At end of period/year	**20,997**	20,997
Liability component:		
At beginning of period/year	**584,365**	—
Issuance of Convertible Notes	**—**	581,787
Interest charged calculated at an effective interest rate of 6.64%	**19,439**	12,032
Interest payable	**(15,216)**	(9,454)
At end of period/year	**588,588**	584,365

The fair value of liability component of Convertible Notes was measured by using the discounted cash flow method at date of issue. The equity component of Convertible Notes was measured as the difference between the principal amount and the fair value of the liability component at date of issue. The fair value of equity component at the issue date amounted to approximately HK$20,997,000.

21. SHARE CAPITAL

	Number of Shares	Nominal value HK$'000
Authorised:		
As at 1 April 2012 and 30 September 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 September 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 and 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 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.

22. OPERATING LEASE COMMITMENTS

Operating leases related to office property, Director's quarter, certain office equipment, television broadcasting right, the use of satellite capacity and broadcasting services with lease term between 2 to 10 years. All operating lease contracts contain market review clauses in the event that the Group exercises its option to renew. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

	Six months ended 30 September	
	2012 (Unaudited) HK$'000	2011 (Unaudited) HK$'000
Minimum lease payments paid under operating leases during the period/year	**4,374**	612

22. OPERATING LEASE COMMITMENTS *(Continued)*

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 30 September 2012 (Unaudited) HK$'000	As at 31 March 2012 (Audited) HK$'000
Within one year	**12,383**	12,886
In the second to fifth years inclusive	**32,378**	35,290
Over five years	**17,583**	20,333
	62,344	68,509

23. RELATED PARTY TRANSACTIONS

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

Related party relationship	Type of transaction	Transaction amount Six months ended 30 September		Three months ended 30 September	
		2012 (Unaudited) HK$'000	2011 (Unaudited) HK$'000	**2012 (Unaudited) HK$'000**	2011 (Unaudited) HK$'000
A company that Chia Thien Loong, Eric John ("Mr. Chia"), an executive Director, had material interest	Rental expenses for an office premise paid *(note (i))*	**75**	24	**30**	12
	Service fee for announcement posting agreement	**5**	2	**2**	2
	Company secretarial fees paid	**6**	31	**2**	30
China Xinhua NNC	Annual fee for television broadcasting right *(note (ii))*	**500**	—	**250**	—
	Advertising income (note (iii))	**972**	—	**972**	—

23. RELATED PARTY TRANSACTIONS *(Continued)*

Notes:

(i) *Rental expense was charged at a term mutually agreed between the Group and the related company. The lease was terminated with effect from 1 September 2012 under mutual agreement between the Group and the related company.*

(ii) *Pursuant to the agreements signed between the Group and China Xinhua NNC on 5 September 2011, China Xinhua NNC granted the television broadcasting right to Xinhua TV Asia-Pacific for the period from 1 September 2011 to 31 August 2021 on an exclusive basis with an annual fee of HK$1,000,000 payable by Xinhua TV Asia-Pacific to China Xinhua NNC prior to 31 December 2016, and HK$3,000,000 payable by Xinhua TV Asia-Pacific to China Xinhua NNC with effect from 1 January 2017.*

(iii) *Pursuant to the agreement signed between Xinhua TV Asia-Pacific and China Xinhua NNC on 24 August 2012 in respect of the advertising airtime allocated to China Xinhua NNC exclusively for the commercial advertisement, advertising income was derived at a term mutually agreed.*

One of the Directors, who is also a shareholder of the Company, has provided personal guarantee to the lessor in respect of the Group's finance lease payables as at the end of the reporting period as disclosed in note 17.

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.

24. CAPITAL COMMITMENTS

	As at 30 September 2012 (Unaudited) HK$'000	As at 31 March 2012 (Audited) HK$'000
Commitments for the acquisition of property, plant and equipment	**–**	1,311

25. EVENTS AFTER THE REPORTING PERIOD

On 8 November 2012, Proud Glory Investment Limited ("Proud Glory") agreed to waive the payment of Convertible Notes interest due to itself incurred from 9 December 2011 to 8 December 2012 amounting to HK$8,750,000.

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 six months ended 30 September 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 on 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 remaining is related to provision of drainage services. Details of these six 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, a main contract (contract numbered DC/2012/04) was newly awarded during the Period.

During the Period under review, the two contracts with contract numbered 8/WSD/10 and 18/WSD/08 were the main contributors to the Group's revenue, which generated approximately HK$70.4 million and HK$26.4 million revenue, constituting approximately 50.6% and 19.0% of the Group's total revenue respectively.

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) (collectively the "CNC Channels") respectively from late June 2012 to early July 2012. CNC Channels are currently broadcasted in more than 60 countries and regions worldwide. "Hong Kong, Hong Kong" was also broadcasted in Hong Kong Cable TV Channel No. 66 and the prime time slots of 43 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). "Hong Kong, Hong Kong" received good responses from audiences.

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.

In addition, on 19 July 2012, the Group as the licensor, had entered into a channel carriage agreement (the "Channel Carriage Agreement") with Asian Broadcasting Network (M) Sdn Bhd, a company incorporated under the laws of Malaysia and as the licensee, pursuant to which the licensor has agreed to grant to the licensee a non-exclusive and non-transferable license and right to distribute, use, promote and make available the contents of the CNC Channels to its subscribers through its services in Malaysia. Details of the Channel Carriage Agreement were set out in the announcement of the Company dated 14 September 2012. On 25 October 2012, the Group has also entered into a cooperation memorandum (the "Cooperation Memorandum") with Lao Digital TV Co., Ltd. (the "Lao Digital TV"), a company incorporated under the laws of the Lao People's Democratic Republic (the "Laos"), pursuant to which Lao Digital TV will broadcast the CNC Channels through its service in Laos. Details of the Cooperation Memorandum were set out in the announcement of the Company dated 25 October 2012. The Directors believe that by broadcasting the CNC Channels in Malaysia and Laos through cooperation with local television broadcasting companies, the Group will be able to boost up CNC Channels' viewership and lay a solid foundation for the Group to attract more advertising clients.

Aimed at maximising 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 its business operations.

Capital Raising Exercise

On 29 March 2012, the Company entered into top-up placing agreement and subscription agreement with 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 million.

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

Financial Review

Revenue

During the Period under review, the Group reported a revenue of approximately HK$139.1 million (2011: approximately HK$86.1 million), representing an increase of approximately 61.4% 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 95.0% and 5.0% of the Group's total revenue respectively. The higher revenue was mainly due to the increase in works from 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) and the construction of Pak Shek Kok Fresh Water Service Reservoir Extension (contract number 8/WSD/11). With the commencement of television broadcasting business during the Period, the Group derived advertising revenue of approximately HK$7.0 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$98.5 million (2011: approximately HK$59.0 million), representing approximately 70.9% of the total revenue for the Period (2011: approximately 68.5%). On the other hand, the revenue generated from the undertaking of waterworks contracts in the capacity of a main contractor amounted to approximately HK$33.5 million (2011: approximately HK$27.1 million), representing approximately 24.1% of the total revenue for the Period (2011: approximately 31.5%).

Cost of services

The Group's cost of services increased by approximately 105.9% to approximately HK$159.2 million for the Period (2011: approximately HK$77.3 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 comprised raw materials, direct labour and subcontracting fee for the services provided by the subcontractors. Transmission costs comprised satellite transmission fee and carriage fee payable to satellite operator while broadcasting fee comprised annual fee payable to media broadcasting providers and China Xinhua NNC, a shareholder of the Company.

Gross (loss)/profit

The gross loss of the Group for the Period was approximately HK$20.1 million (2011: gross profit of approximately HK$8.8 million). The gross loss margin of the Group was approximately 14.5% for the Period (2011: gross profit margin of approximately 10.2%). 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$493,000 (2011: approximately HK$179,000).

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 27.7% to approximately HK$12.6 million (2011: approximately HK$9.9 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 42.5 times to approximately HK$20.8 million (2011: approximately HK$478,000) 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 of the Company and Convertible Notes.

Net Loss

The Group recorded a net loss attributable to owners of the Company of approximately HK$48.6 million for the Period (2011: approximately HK$2.5 million). The net loss was mainly resulted from the decrease in gross profit margin, incurrence of finance costs on the promissory note of the Company and Convertible Notes of the Company and the increase in administrative expenses

Loss per Share

The basic loss per Share for the Period was approximately HK2.90 cents (2011: approximately HK0.23 cent).

Prospects

On 24 October 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 maturity date of 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. The Directors 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 commenced in January 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 continues 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

During the Period under review, 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, Mongolia and, as recently started, in Malaysia and Laos through entering into the Channel Carriage Agreement and Cooperation Memorandum respectively. 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 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 "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 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 equity holders of the Company amounted to approximately HK$31.5 million as at 30 September 2012 (31 March 2012: approximately HK$70.5 million).

Liquidity and Financial Resources

During the Period, the Group generally financed its operations through internally generated cash flows and net proceeds from the top-up placing exercises.

As at 30 September 2012, the Group had net current liabilities of approximately HK$11.5 million (31 March 2012: net current assets of approximately HK$7.8 million), including cash balance of approximately HK$17.0 million (31 March 2012: approximately HK$10.0 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 0.90 as at 30 September 2012 (31 March 2012: approximately 1.09). The incurrence of net current liabilities and decrease in current ratio were primarily due to higher trade and other payables as a result of more business activities and business development.

Gearing Ratio

The gearing ratio, which is based on the total amount of total bank borrowings, promissory note, Convertible Notes, obligations under finance lease and advance received from customers divided by total assets, was 73.5% as at 30 September 2012 (31 March 2012: 72.3%). The increase was resulted from the amortisation of promissory note and Convertible Notes issued by the Company.

Foreign Exchange Exposure

As the revenue and cost of services are principally denominated in Hong Kong dollars, the exposure to the risk of foreign exchange rate fluctuations for the Group is minimal. Hence, no financial instrument for hedging was employed.

Capital Commitment

Save as disclosed in note 24 in the Interim Financial Statements, the Group did not have any significant capital commitments (31 March 2012: approximately HK$1.3 million).

Charges on Group's Assets

The Group's motor vehicles with net book value as at 30 September 2012 amounted to approximately HK$4.8 million (31 March 2012: approximately HK$4.9 million) was held under finance lease. As at 30 September 2012, the Group pledged its machinery and motor vehicles with net book values of approximately HK$0.31 million (31 March 2012: approximately HK$1.2 million) and approximately HK$2.4 million (31 March 2012: approximately HK$6.3 million) respectively as securities for its performance of obligations as a sub-contractor of the Replacement and Rehabilitation of water mains, Stage 4, Phrase 1 — Mains in Tuen Mun, Yuen Long, North District and Tai Po.

Contingent Liabilities

As at 30 September 2012, the Group did not have any material contingent liabilities (31 March 2012: Nil).

Dividends

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

Information on Employees

As at 30 September 2012, the Group had 210 full-time staff in Hong Kong and over 88.1% of them are direct labour. Total staff costs (including Directors' remuneration) for the Period amounted to approximately HK$28.0 million (2011: approximately HK$22.2 million), representing an increase of approximately 26.3% over that for the same period of previous year. The increase was mainly due to the increase in the number of staff to support the expansion of the Group's business.

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 trainings for its staff to strength their skills and knowledge.

Significant Investment Held

As at 30 September 2012, the Group held a 17% interest in the issued share capital of China New Media as a long term investment.

Except for investment in subsidiaries and the acquisition as disclosed above, 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

Save as disclosed in the prospectus (the "Prospectus") of the Company dated 20 August 2010, the Group did not have other plans for material investments and capital assets.

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

The Share Option Scheme was adopted and approved by the shareholders of the Company on 11 August 2010. No share options have been granted pursuant to the Share Option Scheme during the Period.

Comparison between Business Objectives with Actual Business Progress

An analysis comparing the business objectives as stated in the Prospectus with the Group's actual business progress for the Period is set out below:

Business objectives for the Period as stated in the Prospectus	Actual business progress up to 30 September 2012
Expansion of business scale	
• Implementation of the contract numbered 9/WSD/09 (the "New Project") and the waterworks contracts (the "Prospective Projects")	• The Group is implementing the New Project and no Prospective Projects have been obtained
• Monitor the forecasts of work tenders published on the website of Works Branch Development Bureau of the Government ("WBDB") for upcoming tenders for the period from April 2012 to September 2012	• The Group is monitoring the forecasts of work tenders published on the website of WBDB
Further enhancement in work quality	
• Maintain ongoing quality assurance review on the works performed by the Group	• The Group has been maintaining ongoing quality assurance review on the works performed by the Group
Strengthening of safety team	
• Maintain ongoing inspection at the work site to ensure the safety policy is properly implemented	• The Group has been maintaining ongoing inspection at the work site to ensure the safety policy is properly implemented

Use of Proceeds

As disclosed in the Prospectus, the net proceeds from the placing of Shares for the Listing, after deducting the underwriting fees and the estimated expenses payable by the Company in connection thereto, were expected to be approximately HK$21.0 million. The actual net proceeds from the placing, after deducting the underwriting fees and expenses paid by the Company in connection thereto, were approximately HK$20.2 million. The difference of approximately HK$0.8 million is mainly attributable to the higher costs in printing and auditing, and the incurring of cost for tax review and disbursements.

During the Period, the net proceeds from the placing had been applied as follows:

	Planned use of proceeds as stated in the Prospectus during the Period (HK$ million)	Actual use of proceeds during the Period (HK$ million)
Further enhancement in work quality		
• Recruitment of additional quality assurance staff	**0.20**	**0.20**
Strengthening of safety team		
• Recruitment of safety staff	**0.28**	**0.28**
Repayment of finance leases	**0.31**	**0.31**
	0.79	**0.79**

Notes:

(a) *The business objectives as stated in the Prospectus were based on the best estimation of the future market conditions made by the Group at the time of preparing the Prospectus. The use of proceeds were applied in accordance with the actual development of the market.*

(b) *The unused net proceeds as at 30 September 2012 have been placed as interest bearing deposits with licensed banks in Hong Kong.*

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 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 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	Number of Shares held Interest in controlled corporation	Number of underlying Shares under Convertible Notes *(Note d)* Interest in controlled corporation	Total interests	Percentage of aggregate interests to total issued share capital
Dr. Lee Yuk Lun ("Dr. Lee") *(Note a)*	—	892,857,143	892,857,143	53.31%
Mr. Kan Kwok Cheung ("Mr. Kan") *(Note b)*	387,800,000	—	387,800,000	23.16%
Mr. Chia *(Note c)*	125,210,000	—	125,210,000	7.48%

Notes:

(a) Dr. Lee is the sole beneficial owner of Proud Glory which was interested in 892,857,143 underlying Shares. Under the SFO, Dr. Lee is deemed to be interested in all the Shares held by Proud Glory.

(b) Mr. Kan is the sole beneficial owner of Shunleetat (BVI) Limited ("Shunleetat"), which was interested in 387,800,000 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 47,090,000 Shares 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.

(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 September 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 September 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:

	Number of Shares held			Number of underlying Shares under Convertible Notes *(Note a)*			
Name	**Beneficial owner**	**Interest in controlled corporation**	**Spouse interest**	**Beneficial owner**	**Interest in controlled corporation**	**Total interests**	**Percentage of aggregate interests to total issued share capital**
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	—	—	387,800,000 *(Note d)*	—	—	387,800,000	23.16%
Shunleetat	387,800,000 *(Note d)*	—	—	—	—	387,800,000	23.16%
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	102,550,000 *(Note g)*	—	—	—	—	102,550,000	6.12%
Mr. Cheng Ka Ming, Martin	—	102,550,000 *(Note g)*	—	—	—	102,550,000	6.12%

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 387,800,000 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 the 387,800,000 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 a total of 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 102,550,000 Shares held by Chuwei (BVI) Limited.

Saved as disclosed above, as at 30 September 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 has purchased, sold or redeemed any of the Shares.

COMPLIANCE ADVISER'S INTEREST IN THE COMPANY

As at 30 September 2012, as notified by the Company's compliance adviser, Optima Capital Limited ("Optima"), except for the compliance adviser agreement entered into between the Company and Optima dated 20 August 2010, neither Optima 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 the 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.

The Lease Agreement was terminated under the mutual agreement of the tenant and landlord with effect from 1 September 2012. It was confirmed by both parties that no claims whatsoever against each other for fees, causes of action and liabilities of whatever nature will arise as a result of the termination. During the Period, total rent payable under the Lease Agreement amounted to HK$75,000.

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 announcement 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 CNC Channels 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 the 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.

Advertisement Broadcasting Contract

On 23 May 2011, 中國新華新聞電視網有限公司 ("CNC China") and AVIC Culture Co., Ltd. (中航文化股份有限公司) ("AVIC Culture") entered into an advertisement operation cooperation contract (the "Advertisement Operation Cooperation Contract"), pursuant to which CNC China granted the exclusive right to AVIC Culture for the promotion and operation of 58% of the advertising resources of the CNC Channel (the "Partial Advertisement Operation Right") for the period from 25 May 2011 to 25 August 2016. As consideration, CNC China is entitled to a guaranteed fixed fee of Renminbi ("RMB") 90 million plus 40% of the part of advertising revenue derived from the Partial Advertisement Operation Right in excess of RMB90 million during the term of the Advertisement Operation Cooperation Contract (the "Payment under the Partial Advertisement Operation Right").

On 24 August 2012, CNC China and China Xinhua NNC entered into the an agreement (the "CNC Agreement"), pursuant to which CNC China will pay any amount that CNC China receives from AVIC Culture as the Payment under the Partial Advertisement Operation Right (on an after-tax basis and after deducting any reasonable fees) to China Xinhua NNC to reflect the fact that the commercial advertisements operated by AVIC Culture under the Partial Advertisement Operation Right will eventually be broadcasted through the television broadcasting network developed and maintained by China Xinhua NNC.

To support the operation of the Company, on 24 August 2012, China Xinhua NNC entered into an advertisement broadcasting contract (the "Advertisement Broadcasting Contract") with Xinhua TV Asia-Pacific in respect of the advertising airtime allocated to China Xinhua NNC exclusively for the commercial advertisements operated by AVIC Culture. Pursuant to the Advertisement Broadcasting Contract, China Xinhua NNC has agreed to pay Xinhua TV Asia-Pacific, in cash, 50% of any amount that CNC China received as the Payment under the Partial Advertisement Operation Right (on an after-tax basis and after deducting any reasonable fees).

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 Advertisement Broadcasting Contract 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.

Also pursuant to Rule 20.41 of the GEM Listing Rules, the transactions contemplated under the Advertisement Broadcasting Contract are subject to the applicable reporting, announcement and annual review requirements but exempt from independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules because the highest applicable percentage ratio of the caps, calculated on an annual basis, is more than 0.1% but less than 5%. 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 Advertisement Broadcasting Contract.

As 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 of the Company and their respective associates has any other connected transaction 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 the Directors reminding them of the general prohibition on dealing in any of the Company's listed securities during the blackout periods. 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 had complied with the Code during the Period.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company (the "Remuneration Committee") was established on 11 August 2010 with terms of reference in compliance with paragraph B.1.2 of the Code.

The primary duties of the Remuneration Committee include, among other things, formulating and making recommendations to the Board on the remuneration policy, determining the specific remuneration packages of all executive Directors and senior management and making recommendations to the Board of the remuneration of non-executive Directors.

The Remuneration Committee consisted of four members, three of them are independent non-executive Directors and one of them is non-executive Director. As at 30 September 2012, the members of the Remuneration Committee are Mr. Jin Hai Tao, Mr. Hau Chi Kit, Mr. Chu Siu Lun, Ivan and Ms. Liang Hui. Mr. Jin Hai Tao was the chairman of the Remuneration Committee.

At the meeting held on 9 August 2012, it was resolved that the remuneration of Mr. Zou Chen Dong ("Mr. Zou"), the chief executive officer and the executive Director of the Company, was adjusted from HK$1,000 per month to HK$59,000 per month with effect from 1 August 2012.

At the meeting held on 13 November 2012, it was resolved that Mr. Chia, the compliance officer and the executive Director of the Company with effect from 13 November 2012, was appointed as vice president of the Company with effect from 13 November 2012. His remuneration was adjusted from HK$59,000 per month to HK$50,000 per month with effect from 1 November 2012.

In consideration of Mr. Zou's and Mr. Chia's responsibility and the time and effort spent on their duties, the Board believes the adjusted remuneration is reasonable and in line with the Directors' remuneration policy of the Company.

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 consists of five members, four of them are independent non-executive Directors and one of them is non-executive Director. As at 30 September 2012, the members of the Audit Committee were 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 Interim 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, 13 November 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