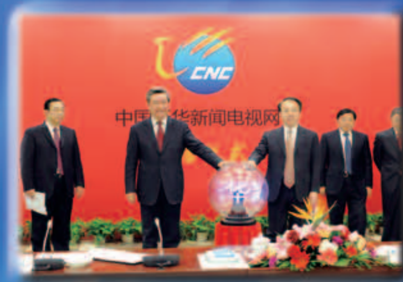
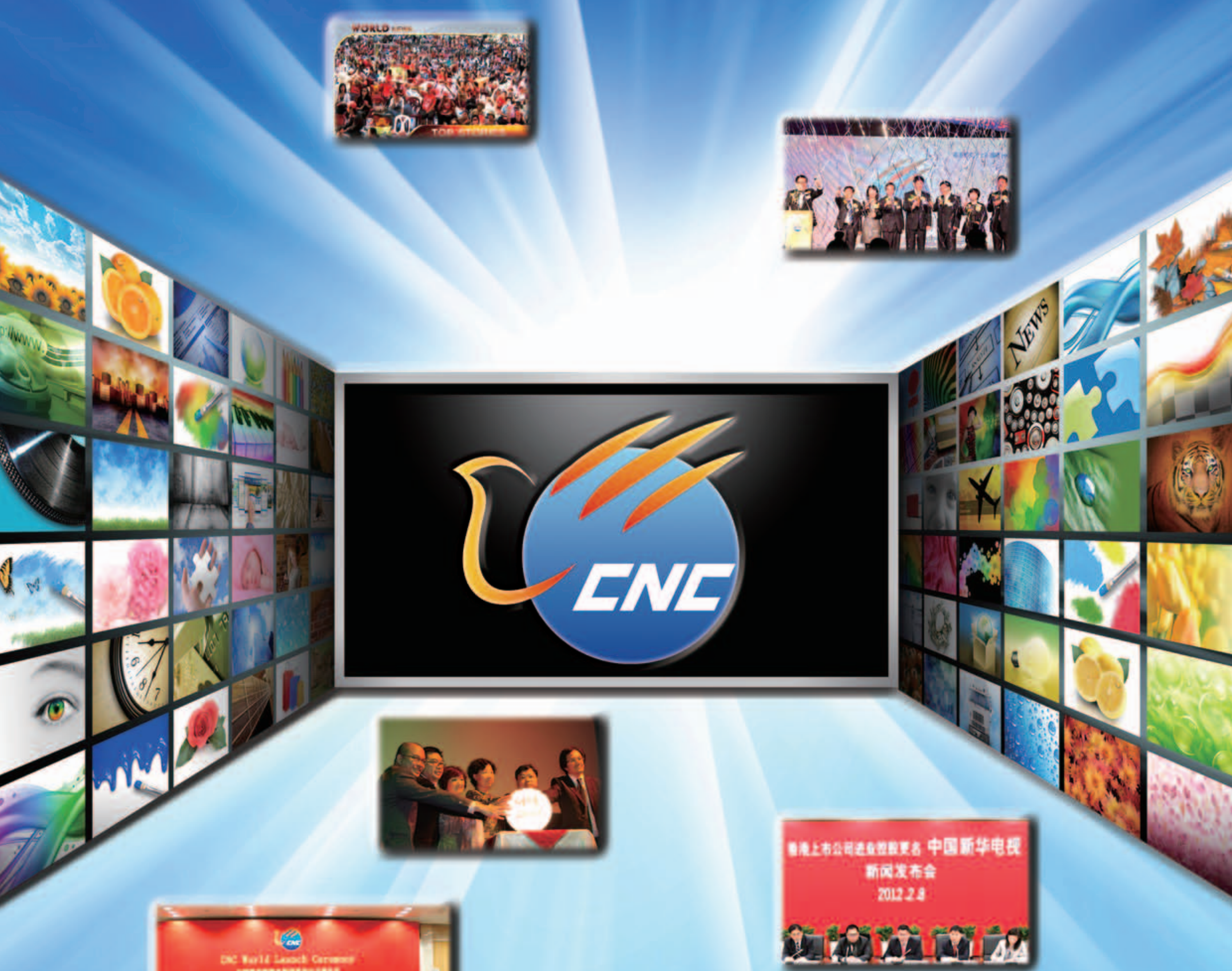
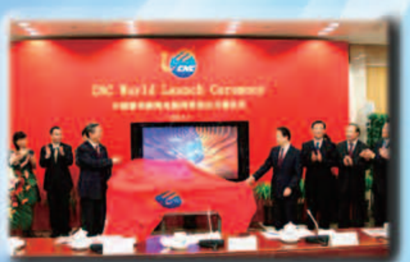
CNC HOLDINGS LIMITED
中 國 新 華 電 視 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)
Stock code: 8356







2013/2014
First Quarterly Report

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This report, for which the directors (the "Directors") of CNC Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this 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 2013 increased by approximately 34.1% to approximately HK$95.7 million (2012: approximately HK$71.3 million).
- Loss attributable to owners of the Company for the three months ended 30 June 2013 decreased by approximately 18.3% to approximately HK$20.1 million (2012: approximately HK$24.6 million).
- Basic loss per Share for the three months ended 30 June 2013 was approximately HK1.20 cents (2012: approximately HK1.47 cents).
- The Board does not recommend the payment of any dividend for the three months ended 30 June 2013.

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 2013, together with the unaudited comparative figures for the corresponding periods in 2012, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months ended 30 June 2013

		Three months ended 30 June	
		2013	2012
	Notes	**HK$'000**	HK$'000
Revenue	*3*	**95,701**	71,347
Cost of services		**(88,717)**	(66,806)
Gross profit		**6,984**	4,541
Other income and gains	*3*	**4,115**	2
Amortisation expenses		**(14,553)**	(14,973)
Selling and distribution expenses		**–**	(423)
Administrative expenses		**(7,566)**	(5,624)
Loss from operations	*5*	**(11,020)**	(16,477)
Finance costs		**(10,705)**	(10,331)
Share of loss of jointly controlled entities		**(663)**	–
Loss before income tax		**(22,388)**	(26,808)
Income tax	*6*	**2,257**	2,170
Loss for the period and total comprehensive loss attributable to owners of the Company		**(20,131)**	(24,638)
Loss per Share attributable to owners of the Company	*8*		
– Basic and diluted (HK cents)		**(1.20)**	(1.47)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 30 June 2013

	Share capital HK$'000	Share premium HK$'000	Convertible notes equity reserves HK$'000	Other reserves HK$'000	Accumulated losses HK$'000	Total equity HK$'000
As at 1 April 2013	1,674	735,089	17,381	9,868	(800,115)	(36,103)
Loss and total comprehensive loss for the period	–	–	–	–	(20,131)	(20,131)
As at 30 June 2013 (unaudited)	1,674	735,089	17,381	9,868	(820,246)	(56,234)
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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2013

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 principal activities of the Company are investment holding and television broadcasting business. The principal activities of its subsidiaries are the provision of waterworks engineering services, road works and drainage services and site formation works for the public sector in Hong Kong and advertising business, including broadcasting television programmes on television channels operated by television broadcasting companies in the Asia Pacific region (excluding the People's Republic of China ("PRC")) and outdoor mass media advertising business, in return for advertising and related revenue.

2. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated first quarterly financial statements for the three months ended 30 June 2013 (the "Quarterly Financial Statements") have been prepared to comply with the disclosure requirements of the GEM Listing Rules.

The accounting policies and method of the computation used in the preparation of the Quarterly Financial Statements are consistent with those used in the annual report for the year ended 31 March 2013. 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 2013. 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 INCOME AND GAINS

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

	Three months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Revenue		
Revenue from construction works	**93,398**	68,211
Advertising income	**2,303**	3,136
	95,701	71,347
Other income and gains		
Interest income	**12**	2
Exchange gain, net	**80**	–
Fair value gains on financial assets at fair value through profit or loss	**4,014**	–
Net gains on disposals of property, plant and equipment	**8**	–
Sundry income	**1**	–
	4,115	2

4. SEGMENTS 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 and outdoor mass media 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 three months ended 30 June 2013

	Provision of waterworks and civil services HK$'000 (Unaudited)	Television broadcasting business HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Revenue from external customers	**93,398**	**2,303**	**95,701**
Other income and gains	**18**	**69**	**87**
Reportable segment revenue	**93,416**	**2,372**	**95,788**
Reportable segment results	**3,480**	**(14,501)**	**(11,021)**
Unallocated corporate income			**4,028**
Unallocated expenses			**(4,690)**
Finance costs			**(10,705)**
Loss before income tax			**(22,388)**

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 income and gains	–	–	–
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)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the three months ended 30 June 2013 (2012: nil).

4. SEGMENTS INFORMATION (CONTINUED)

Segment profit/(loss) represents the profit earned/loss incurred by each segment without allocation of interest income, fair value gains on financial assets at fair value through profit or loss, 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 FROM OPERATIONS

Loss from operations is arrived at after charging the following:

	Three months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Amortisation of intangible assets (included in amortisation expenses)	**14,518**	14,125
Amortisation of film rights (included in amortisation expenses)	**35**	848
Depreciation of property, plant and equipment	**3,332**	2,195
Loss on disposals of property, plant and equipment	**–**	55

6. INCOME TAX

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

	Three months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits tax		
– current period	**284**	259
Deferred tax		
– current period	**(2,541)**	(2,429)
Income tax credit	**(2,257)**	(2,170)

Hong Kong profits tax is calculated at 16.5% (2012: 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 three months ended 30 June 2013 and 2012.

7. DIVIDENDS

The Board does not recommend the payment of any dividend for the three months ended 30 June 2013 and 2012.

8. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculations of basic loss per Share for the three months ended 30 June 2013 is based on the unaudited consolidated loss of approximately HK$20,131,000 attributable to owners of the Company for the three months ended 30 June 2013 (three months ended 30 June 2012: approximately HK$24,638,000) and the weighted average number of 1,674,735,664 Shares in issue for the three months ended 30 June 2013 (three months ended 30 June 2012: 1,673,526,873 Shares) as if they had been in issue throughout the periods.

Diluted loss per Share for the three months ended 30 June 2013 and 2012 were not presented as the potential ordinary Shares had an anti-dilutive effect on the basic loss per Share for the three months ended 30 June 2013 and 2012.

9. SHARE CAPITAL

	Number of Shares	**Nominal value** HK$'000
Authorised:		
As at 1 April 2013 and 30 June 2013 (Unaudited)	500,000,000,000	500,000
Issued and fully paid:		
As at 1 April 2013 and 30 June 2013 (Unaudited)	1,674,735,664	1,674

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 advertising business, including broadcasting television programmes on television channels operated by television broadcasting companies in the Asia-Pacific region (excluding the PRC) and outdoor mass media advertising business, in return for advertising and related revenue. During the three months ended 30 June 2013 (the "Period"), the Group continued to focus on rendering waterworks and civil services to the public sector in Hong Kong and develop its business on television broadcasting.

Provision of waterworks and civil services

During the Period, the Group has been undertaking two main contracts and six subcontracts. Among the eight contracts, five are related to provision of waterworks engineering services and the three remaining contracts are related to provision of 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
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
	DC/2012/04	Sewerage in Kau Lung Hang San Wai, Kau Lung Hang Lo Wai and Tai Hang
	DC/2012/07	Lam Tsuen Valley Sewerage – village sewerage, stage 2, phase 1
	DC/2012/08	Lam Tsuen Valley Sewerage – village sewerage, stage 2, phase 2

During the Period, 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$54.1 million and HK$12.6 million, constituting approximately 56.5% and 13.2% of the Group's total revenue respectively.

Television broadcasting business

During the Period, the Group has entered into two cooperation agreements with local television service supplier in Hong Kong and New Zealand respectively so as to further expand the coverage of China Xinhua News Network World Channel (the "CNC Channel") (Chinese) and CNC Channel (English) (collectively the "CNC Channels"). On 21 May 2013, the Group entered into a cooperation agreement (the "NOW TV Cooperation Agreement") with PCCW Media Limited ("PCCW"), pursuant to which PCCW is authorised to broadcast CNC Channel (Chinese) exclusively via its NOW TV in Hong Kong starting from 1 July 2013. As a result, starting from 1 July 2013, CNC Channel (Chinese) will be moved from displaying in Hong Kong Cable TV Channel No. 66 to Channel No. 369 of NOW TV. Besides on 24 May 2013, the Group entered into a cooperation agreement (the "NZ TV44 Cooperation Agreement") with New Zealand Chinese Television Limited ("NZ Chinese TV"), pursuant to which NZ Chinese TV is authorised to broadcast CNC Channel (English) exclusively via its TV44 (a local English TV channel owned by NZ Chinese TV) in New Zealand starting from 1 May 2013. Details of the NOW TV Cooperation Agreement and NZ TV44 Cooperation Agreement were set out in the announcement of the Company dated 29 May 2013.

In view of the fact that PCCW and NZ Chinese TV are competitive television service suppliers in their respective market, the Directors consider the arrangements in respect of commercial advertisements broadcasting on Now TV and NZ TV44 under the NOW TV Cooperation Agreement and the NZ TV44 Cooperation Agreement, respectively, will improve the utilization efficiency of the advertising time of the respective channel, which will in turn bolster the Company's capability in executing commercial advertising and benefit the shareholders of the Company as a whole.

With the great success of television programmes "Hong Kong, Hong Kong" and "Hong Kong Voice Express", the Group will continue to produce information contents in the future. During the Period, the Company entered into certain television feature programme production agreements pursuant to which the Company would produce documentary television feature programmes on certain themes. These documentary television feature programmes are expected to be broadcasted in the coming year.

Upon launch of project of large outdoor display screen under global display screen commercials network, the Group has continued to negotiate with potential customer, including but not limited to commercial real estate developers and property developers for cooperation. During the Period, in order to cope with the increasing demand on LED display, the Group entered into a LED display systems engineering contract with a new supplier pursuant to which the Group has agreed to purchase the LED display on the terms and subject to the conditions of the LED display systems engineering contract. The Directors believe that the Company has competitive advantages in developing the LED display broadcasting business and the new arrangement would increase the flexibility of the cash flow of the Group. Thus, such endeavour will increase the profitability of the Company, which is in the interests of the Company and its shareholders as a whole.

To further develop the television broadcasting business, the Company has established a subsidiary in Qianhai, Shenzhen during the Period. Through the establishment of a subsidiary in Qianhai, it is the base for the Company to enter the vast television broadcasting market in the PRC. Qianhai will be developing in the future, focusing on the development of six sectors which are innovative finance, modern logistics, headquarters economy, technology and professional service, telecommunication and media service and business service. It aims at developing Qianhai as a Guangdong/Hong Kong Modern Service Industry Innovation and Cooperation Exemplary Zone. Companies setting up in Qianhai can enjoy various favourable policies, including the advantages in the aspects of financial service, finance and taxation, human resources policies, regulations and telecommunication. The Directors consider that establishing a subsidiary in Qianhai and leveraging Qianhai as a Guangdong/Hong Kong cooperation platform helps to enhance the Company's allocation and intensive utilisation of resources in order to strengthen its development of television broadcasting business and outdoor mass media in the PRC market.

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 the business operations.

Financial Review

Revenue

During the Period, the Group reported a revenue of approximately HK$95.7 million (2012: approximately HK$71.3 million), representing an increase of approximately 34.1% 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 97.6% and 2.4% 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 replacement and rehabilitation of water mains stage 3 – mains on Hong Kong Island South and outlying islands (contract number 18/WSD/08). The Group derived advertising revenue of approximately HK$2.3 million (2012: approximately HK$3.1 million).

During the Period, 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$90.2 million (2012: approximately HK$44.6 million), representing approximately 94.3% of the total revenue for the Period (2012: approximately 62.5%). On the other hand, the revenue generated from the undertaking of waterworks contracts in the capacity of a main contractor amounted to approximately HK$3.2 million (2012: approximately HK$23.6 million), representing approximately 3.3% of the total revenue for the Period (2012: approximately 33.1%).

Cost of services

The Group's cost of services increased by approximately 32.8% to approximately HK$88.7 million for the Period (2012: approximately HK$66.8 million) as compared with that for the same period of the previous year. The Group's cost of services mainly includes costs of construction services, transmission costs and broadcasting fee. Costs of construction services mainly comprise raw materials, direct labour and subcontracting fee for services provided by the subcontractors. Transmission costs comprise satellite transmission fee and carriage fee payable to satellite operator while broadcasting fee comprises fee payable to media broadcasting providers and China Xinhua News Network Co., Limited ("China Xinhua NNC"), a substantial shareholder of the Company.

Gross profit

The gross profit of the Group for the Period increased by approximately 53.8% to approximately HK$7.0 million (2012: approximately HK$4.5 million) as compared with that for the same period of the previous year. The gross profit margin of the Group increased to approximately 7.3% for the Period (2012: approximately 6.4%). The increase in gross profit and gross profit margin was largely as a consequence of higher revenue and gross margin derived from certain projects at the early stage.

Other income and gains

The Group's other income and gains for the Period amounted to approximately HK$4.1 million (2012: approximately HK$2,000). The increase in other income and gains was mainly due to the fair value gains on financial assets at fair value through profit or loss recognised during the Period.

Amortisation expenses

The Group's amortisation expenses for the Period decreased by approximately 2.8% to approximately HK$14.6 million (2012: approximately HK$15.0 million) as compared with that for the same period of the previous year. The amortisation expenses mainly consisted of amortisation of television broadcasting rights and film rights for the television broadcasting business.

Selling and distribution expenses

The Group's selling and distribution expenses for the three months ended 30 June 2012 amounted to approximately HK$423,000. The selling and distribution expenses mainly consisted of advertising expenses for the television broadcasting business for the three months ended 30 June 2012.

Administrative expenses

The Group's administrative expenses for the Period increased by approximately 34.5% to approximately HK$7.6 million (2012: approximately HK$5.6 million) as compared with that for the same period of the previous year. The administrative expenses mainly consisted of 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, rental expenses and depreciation expenses of head office due to expansion of business.

Finance costs

The Group's finance costs for the Period increased by approximately 3.6% to approximately HK$10.7 million (2012: approximately HK$10.3 million) as compared with that for the same period of the previous year. The finance costs mainly consisted of interest expenses for the promissory note and convertible notes.

Share of loss of jointly controlled entities

The Group's share of loss of jointly controlled entities was amounted to approximately HK$0.7 million (2012: Nil). The amount represented the share of result of projects of sewerage in Kau Lung Hang San Wai, Kau Lung Hang Lo Wai and Tai Hang (contract numbered DC/2012/04), Lam Tsuen Valley Sewerage – Village Sewerage, Stage 2, Phase 1 (contract numbered DC/2012/07) and Lam Tsuen Valley Sewerage – Village Sewerage, Stage 2, Phase 2 (contract numbered DC/2012/08) with which the Group and Hsin Chong Construction Company Limited jointly controlled and operated.

Net Loss

The Group recorded a net loss attributable to owners of the Company of approximately HK$20.1 million (2012: approximately HK$24.6 million) for the Period. The net loss was mainly resulted from amortisation expenses and finance costs on the promissory note and convertible notes of the Group.

Loss per Share

The basic loss per Share was approximately HK1.2 cents (2012: approximately HK1.47 cents).

Prospects

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 the coming years. Upon the launch of outdoor mass media advertising business, the Directors expect that the 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 has commenced in March 2011 and will be completed in 2015. About 500 kilometres of water mains will be replaced and rehabilitated at this stage. Stage 4 Phase 2 of the R&R Programme has 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 Hong Kong government, roads and drainage works and site formation works will also create tremendous business opportunities to the Group in the future.

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

Our recent initiative to grow our television broadcasting business is a strategic move. Starting from last year, the Group has diversified its business to television broadcasting business and strengthened its income stream upon the commencement of television broadcasting business. Drawing on the brand name of Xinhua News Agency, the Group is positioned to capture the opportunities arising from this business segment with relatively low initial entry barrier. 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, Malaysia and Laos. Towards this end, the Group has entered into the NOW TV Cooperation Agreement and the NZ TV44 Cooperation Agreement with PCCW and NZ Chinese TV respectively in May 2013. Accordingly, CNC Channel (Chinese) will be broadcasted on Now TV Channel No. 369 in place of Hong Kong Cable TV Channel No. 66 starting from 1 July 2013 and CNC Channel (English) will be broadcasted on TV 44 of NZ Chinese TV starting from 1 May 2013. 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.

Leveraging on the resources of Xinhua News Agency in information collection, processing and release, the Company enjoys a favourable position in developing the LED display broadcasting and advertising business in HOPSCAs (i.e. complexes of hotels, offices, parks, shopping malls, clubs and apartments), which will certainly improve the Group's profitability. In addition, the Group will continue to negotiate with potential commercial real estate developers to boost up the project of large outdoor display screen. The Directors believe that the outdoor mass media business will be one of the bright points in the future.

In order to support the Company's business, on 22 July 2013, the Company and 中國新華新聞電視網有限公司 ("CNC China") entered into the channel resources usage framework agreement (the "CRU Framework Agreement"), pursuant to which the Company will and will procure its subsidiaries to provide advertising resources on the televisions channels controlled by the Company to CNC China and its associates for the advertisement businesses of independent third party clients undertook by them. As consideration, CNC China and its associates will pay advertisement broadcasting fees to the Company and its subsidiaries. The CRU Framework Agreement will have a term of 3 years ending on 31 March 2016. The Directors believe that, by leveraging on CNC China's extensive resources in commercial advertising including its strong bargaining power towards the advertising agents, the CRU Framework Agreement is expected to bring and boost the advertising revenue of the Company in further support of its television broadcasting business. Details of the CFU Framework Agreement were set out in the announcement of the Company dated 22 July 2013.

In order to implement the CRU Framework Agreement, on 22 July 2013, Xinhua TV Asia-Pacific Operating Co., Limited ("Xinhua TV Asia-Pacific") entered into a channel resources usage agreement (the "MOFCOM CRU Agreement") with CNC China, pursuant to which Xinhua TV Asia-Pacific agreed to provide advertising resources on its television channels to CNC China for broadcasting advertisements of the Ministry of Commerce of the PRC ("MOFCOM") Department of Foreign Investment Administration. On the same day, Xinhua TV Asia-Pacific entered into another channel resources usage agreement (the "Wuliangye CRU Agreement") with CNC China pursuant to which Xinhua TV Asia-Pacific agreed to provide advertising resources on its television channels to CNC China for broadcasting advertisements of Yibin Wuliangye Liquor Sales Co., Ltd. Both MOFCOM CRU Agreement and Wuliangye CRU Agreement became effective on 22 July 2013 and will end on 31 March 2016. Details of the MOFCOM CRU Agreement and the Wuliangye CRU Agreement were set out in the announcement of the Company dated 2 August 2013.

Selling advertising airtime on its TV channels is meant to become part of the Company's ordinary course of business in due course. The Company's cooperation with CNC China will further improve and diversify the Company's commercial advertisement operations. On the basis of such successful experience, the Company will be able to earn its share in the commercial advertising industry. The Company believes that the MOFCOM CRU Agreement and the Wuliangye CRU Agreement will bring and boost the advertising revenue of the Company in further support of its television broadcasting business.

By leveraging on the brand name of Xinhua News Agency, the Group could save brand development and marketing costs in promoting the television broadcasting business. The Directors believe that such endeavour, coupled with the Group's advertising capability in television broadcasting, will enable the Group to further diversify its advertising business. The Group will continue to put effort into expanding the television broadcasting business in the long run. We are confident that it will bring our business collectively and integrally to new heights in the coming few years.

DIVIDENDS

The Board does not recommend the payment of any dividend for the three months ended 30 June 2013.

SHARE OPTION SCHEME

A 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.

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 2013, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO")) which have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO); or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

Long position in the Shares:

Name	Capacity/ Nature of interest	Number of Shares held	Number of underlying Shares under convertible notes *(Note d)*	Total interests	Percentage of aggregate interests to total issued share capital
Dr. Lee Yuk Lun ("Dr. Lee") *(Note a)*	Interest in controlled corporation	–	892,857,143	892,857,143	53.31%
Mr. Kan Kwok Cheung ("Mr. Kan") *(Note b)*	Interest in controlled corporation	321,640,000	–	321,640,000	19.21%
Mr. Chia Kar Hin, Eric John ("Mr. Chia") *(Note c)*	Interest in controlled corporation	46,710,000	–	46,710,000	2.79%

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 321,640,000 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 (BVI) Limited ("Lotawater"), which was interested in 46,710,000 Shares. Under the SFO, Mr. Chia is deemed to be interested in all the Shares held by Lotawater.

(d) Details of the convertible notes were set out in the circular of the Company dated 19 November 2011.

Saved as disclosed above, as at 30 June 2013, 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 2013, 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 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%
CNC (China)	–	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	–	–	321,640,000 *(Note d)*	–	–	321,640,000	19.21%
Shunleetat	321,640,000 *(Note d)*	–	–	–	–	321,640,000	19.21%
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%

Notes:

(a) Details of the convertible notes were set out in the circular of the Company dated 19 November 2011.

(b) China Xinhua NNC is wholly and beneficially owned by CNC (China). Accordingly, CNC (China) 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 321,640,000 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 321,640,000 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.

Saved as disclosed above, as at 30 June 2013, 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

During the Period, as notified by the Company's compliance adviser, Optima Capital Limited (the "Compliance Adviser"), except for the compliance adviser agreement (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.

Referring to the Compliance Adviser Agreement, the service term ended on the date on which the Company complies with the GEM Listing Rules in respect of its financial results for the second full financial year after the date of listing of the Company which means the financial year ended 31 March 2013. Since the Company had despatched the annual report for the financial year ended 31 March 2013 on 25 June 2013 and had complied with all the requirements under the GEM listing rules, the service term of the Compliance Adviser Agreement ended in June 2013 and thus Optima Capital Limited ceased to be the Compliance Adviser of the Company.

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 of the Company 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:

Announcement Posting Agreement

On 30 June 2013 and 15 May 2012, the Company entered into agreements (the "Announcement Posting Agreements") with Hong Kong Listco Limited ("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 2013 and 1 July 2012 respectively. HKLC is a company incorporated in Hong Kong and is wholly and beneficially owned by Mr. Chia. 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. Since China Xinhua NNC is a substantial shareholder of the Company, and therefore a connected person of the Company within the meaning of the GEM Listing Rules, the transactions contemplated under the Television Broadcasting Right Agreement constitute continuing connected transactions for the Company pursuant to Chapter 20 of the GEM Listing Rules.

Advertisement Broadcasting Contract

On 23 May 2011, 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 Channels (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 service fee payable under the Announcement Posting Agreements referred to above is less than HK$1.0 million and none of the percentage ratios, on an annual basis, equals or exceeds 5%, and that the Announcement Posting Agreements were entered into in the ordinary and usual course of business of the Group, the transactions under the Announcement Posting 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 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. The Company was not aware of any non-compliance in this respect during the Period.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders and enhance the performance of the Group. The Company has applied the principles and code provisions in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 to the GEM Listing Rules. In the opinion of the Board, the Company has complied with the Code during the Period.

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.

As at 30 June 2013, the members of the Audit Committee were Mr. Chan Hon Yuen, Mr. Chu Siu Lun, Ivan, Mr. Hau Chi Kit, Mr. Li Yong Sheng, 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 unaudited condensed consolidated results of the Group for the Period and is of the opinion that the preparation of such results complied with the applicable accounting standards and that adequate disclosures have been made.

By Order of the Board
CNC Holdings Limited
Wu Jin Cai
Chairman and Executive Director

Hong Kong, 12 August 2013

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
Mr. Kan Kwok Cheung
Mr. Chia Kar Hin, Eric John

Non-executive Directors:
Mr. Li Yong Sheng
Ms. Liang Hui

Independent non-executive Directors:
Mr. Chan Hon Yuen
Mr. Chu Siu Lun, Ivan
Mr. Hau Chi Kit
Mr. Jin Hai Tao