CNC HOLDINGS LIMITED

中國新華電視控股有限公司

Interim Report 2013/2014

(Incorporated in the Cayman Islands with limited liability)

Stock code：8356

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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 six months ended 30 September 2013 increased by approximately 4.9% to approximately HK$145.9 million (2012: approximately HK$139.1 million).

- Loss attributable to owners of the Company for the six months ended 30 September 2013 decreased by approximately 30.2% to approximately HK$33.9 million (2012: approximately HK$48.6 million).

- Basic loss per Share for the six months ended 30 September 2013 was approximately HK2.03 cents (2012: approximately HK2.90 cents).

- The Board does not recommend the payment of any dividend for the six months ended 30 September 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 six months ended 30 September 2013, together with the unaudited comparative figures for the corresponding periods in 2012, as follows:

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

For the six months ended 30 September 2013

		Six months ended 30 September		Three months ended 30 September	
		2013	2012	**2013**	2012
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	*3*	**145,949**	139,070	**50,248**	67,723
Cost of services		**(134,910)**	(129,297)	**(46,193)**	(62,491)
Gross profit		**11,039**	9,773	**4,055**	5,232
Other income and gains	*3*	**18,731**	493	**14,625**	491
Amortisation expenses		**(29,230)**	(29,921)	**(14,677)**	(14,948)
Selling and distribution expenses		**–**	(423)	**–**	–
Administrative expenses		**(15,017)**	(12,596)	**(7,460)**	(6,972)
Loss from operations	*5*	**(14,477)**	(32,674)	**(3,457)**	(16,197)
Finance costs	*7*	**(21,343)**	(20,770)	**(10,638)**	(10,439)
Share of results of jointly controlled entities		**(408)**	–	**255**	–
Loss before income tax		**(36,228)**	(53,444)	**(13,840)**	(26,636)
Income tax	*8*	**2,291**	4,818	**34**	2,649
Loss for the period and total comprehensive loss attributable to owners of the Company		**(33,937)**	(48,626)	**(13,806)**	(23,987)
Loss per Share attributable to owners of the Company	*10*				
– Basic and diluted (HK cents)		**(2.03)**	(2.90)	**(0.82)**	(1.43)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2013

	Notes	As at 30 September 2013 (Unaudited) HK$'000	As at 31 March 2013 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	*11*	**32,487**	32,205
Goodwill		**151,194**	151,194
Intangible assets	*12*	**461,386**	490,581
Available-for-sale financial assets	*13*	**400**	400
Jointly controlled entities		**604**	1,012
		646,071	675,392
Current assets			
Inventories		**21,528**	22,251
Film rights		**400**	–
Trade and other receivables	*14*	**46,935**	43,709
Financial assets at fair value through profit or loss		**38,613**	–
Tax recoverable		**442**	312
Cash and cash equivalents		**15,020**	33,266
		122,938	99,538
Total assets		**769,009**	774,930
Current liabilities			
Trade and other payables	*16*	**104,165**	75,782
Finance lease payables	*17*	**2,723**	2,751
Promissory note	*18*	**44,017**	–
Employee benefits		**1,990**	2,351
Current tax liabilities		**3,341**	3,198
		156,236	84,082
Net current (liabilities)/assets		**(33,298)**	15,456
Total assets less current liabilities		**612,773**	690,848

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 30 September 2013

	Notes	As at 30 September 2013 (Unaudited) HK$'000	As at 31 March 2013 (Audited) HK$'000
Non-current liabilities			
Other payables	16	–	2,217
Finance lease payables	17	**2,404**	3,339
Promissory note	18	–	43,440
Convertible notes	19	**597,545**	592,787
Deferred tax liabilities		**82,864**	85,168
		682,813	726,951
Total liabilities		**839,049**	811,033
Net liabilities		**(70,040)**	(36,103)
Capital and reserves			
Share capital	20	**1,674**	1,674
Reserves		**(71,714)**	(37,777)
Total equity		**(70,040)**	(36,103)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 September 2013

	Share capital	Share premium*	Convertible notes equity reserves*	Other reserves*	Accumulated losses*	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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	**–**	**–**	**–**	**–**	**(33,937)**	**(33,937)**
As at 30 September 2013 (unaudited)	**1,674**	**735,089**	**17,381**	**9,868**	**(834,052)**	**(70,040)**
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

* The aggregate amount of these balances of approximately HK$71,714,000 (31 March 2013: approximately HK$37,777,000) in deficit is included as reserves in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 September 2013

	Six months ended 30 September	
	2013	2012
	HK$'000	*HK$'000*
Net cash generated from operating activities	**8,593**	9,681
Net cash used in investing activities	**(25,364)**	(9,980)
Net cash (used in)/generated from financing activities	**(1,475)**	7,299
Net (decrease)/increase in cash and cash equivalents	**(18,246)**	7,000
Cash and cash equivalents at the beginning of period	**33,266**	10,011
Cash and cash equivalents at the end of period	**15,020**	17,011

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 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 activity of the Company is 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 television broadcasting 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 (the "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 interim financial statements for the six months ended 30 September 2013 (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 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 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 INCOME AND GAINS

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

	Six months ended 30 September		Three months ended 30 September	
	2013	2012	**2013**	2012
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Revenue				
Revenue from construction works	**140,612**	132,056	**47,214**	63,845
Advertising income	**5,337**	7,014	**3,034**	3,878
	145,949	139,070	**50,248**	67,723
Other income and gains				
Interest income	**14**	3	**2**	1
Exchange gain, net	**71**	–	**–**	–
Fair value gains on financial assets at fair value through profit or loss	**18,637**	–	**14,623**	–
Net gains on disposals of property, plant and equipment	**8**	–	**–**	–
Sundry income	**1**	490	**–**	490
	18,731	493	**14,625**	491

4. SEGMENT INFORMATION

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

(i) Provision of waterworks and civil services – provision of waterworks engineering services, road works and drainage services and site formation works for public sector in Hong Kong; and

(ii) Television broadcasting business – the business of broadcasting television programmes on television channels operated by television broadcasting companies and outdoor mass media business in return for advertising and related revenue.

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

Segment revenue and results

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

4. SEGMENT INFORMATION *(continued)*

For the six months ended 30 September 2013

	Provision of waterworks and civil services (Unaudited) *HK$'000*	Television broadcasting business (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Revenue from external customers	**140,612**	**5,337**	**145,949**
Other income and gains	**18**	**59**	**77**
Reportable segment revenue	**140,630**	**5,396**	**146,026**
Reportable segment results	**3,871**	**(28,358)**	**(24,487)**
Unallocated corporate income			**18,654**
Unallocated expenses			**(9,052)**
Finance costs			**(21,343)**
Loss before income tax			**(36,228)**

For the six months ended 30 September 2012

	Provision of waterworks and civil services (Unaudited) *HK$'000*	Television broadcasting business (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Revenue from external customers	132,056	7,014	139,070
Other income and gains	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)

4. SEGMENT 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 2013 (2012: nil).

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.

Information about major customers

During the six months ended 30 September 2013, included in revenue arising from provision of waterworks and civil services of approximately HK$140,612,000 (2012: approximately HK$132,056,000) are revenue generated from three (2012: two) customers amounting to approximately HK$135,168,000 (2012: approximately HK$121,700,000). 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 2013 and 2012.

Revenue from major customers is as follows:

	Six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Customer A	**24,416**	28,102
Customer B	**75,654**	93,598
Customer C	**35,098**	–
Others	**5,444**	10,356
	140,612	132,056

5. LOSS FROM OPERATIONS

Loss from operations is arrived at after charging the following:

	Six months ended 30 September		Three months ended 30 September	
	2013	2012	**2013**	2012
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amortisation of intangible assets (included in amortisation expenses)	**29,195**	28,405	**14,677**	14,280
Amortisation of film rights (included in amortisation expenses)	**35**	1,516	**–**	668
Contract costs recognised as expense	**130,837**	125,798	**44,404**	60,741
Depreciation of property, plant and equipment	**6,709**	4,722	**3,377**	2,527
Exchange loss, net	**–**	–	**9**	–
Staff costs *(note 6)*	**31,698**	27,989	**15,943**	13,970

6. STAFF COSTS

	Six months ended 30 September		Three months ended 30 September	
	2013	2012	**2013**	2012
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Staff costs (including Directors' remuneration) comprise:				
Wages, salaries and other benefits	**30,800**	27,110	**15,622**	13,607
Contribution to defined contribution retirement plan	**898**	879	**321**	363
	31,698	27,989	**15,943**	13,970

7. FINANCE COSTS

	Six months ended 30 September		Three months ended 30 September	
	2013	2012	**2013**	2012
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Interest on:				
Finance leases payables	**107**	98	**50**	50
Borrowings wholly repayable within five years	**5**	10	**–**	–
Promissory note	**1,255**	1,223	**633**	617
Convertible notes	**19,976**	19,439	**9,955**	9,772
	21,343	20,770	**10,638**	10,439

8. INCOME TAX

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

	Six months ended 30 September		Three months ended 30 September	
	2013	2012	**2013**	2012
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current tax – Hong Kong Profits tax				
– current period	**13**	127	**(271)**	(133)
Deferred tax				
– current period	**(2,304)**	(4,945)	**237**	(2,516)
Income tax	**(2,291)**	(4,818)	**(34)**	(2,649)

Hong Kong profits tax is calculated at 16.5% (30 September 2012: 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 each of three months and six months ended 30 September 2013 and 2012.

9. DIVIDENDS

The Board does not recommend the payment of any dividend for each of the three months and six months ended 30 September 2013 respectively (2012: 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 2013 is based on the unaudited consolidated loss of approximately HK$13,806,000 and approximately HK$33,937,000 attributable to owners of the Company for each of the three months and six months ended 30 September 2013 respectively (three months and six months ended 30 September 2012: approximately HK$23,987,000 and approximately HK$48,626,000 respectively) and the weighted average number of 1,674,735,664 Shares and 1,674,735,664 Shares in issue for the three months and six months ended 30 September 2013 respectively (weighted average number of Shares in issue for the three months and six months ended 30 September 2012: 1,674,735,664 Shares and 1,674,134,571 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 2013 and 2012 are 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 2013, the Group acquired items of property, plant and equipment with aggregate cost of approximately HK$7,011,000 (six months ended 30 September 2012: approximately HK$13,871,000). During the six months ended 30 September 2013, items of property, plant and equipment with carrying value of approximately HK$20,000 were disposed of (six months ended 30 September 2012: approximately HK$355,000).

12. INTANGIBLE ASSETS

	As at 30 September 2013 (Unaudited)	As at 31 March 2013 (Audited)
	HK$'000	*HK$'000*
Cost		
At 1 April 2012, 31 March 2013, 1 April 2013 and 30 September 2013	**567,000**	567,000
Accumulated amortisation and impairment		
At the beginning of period/year	**76,419**	17,694
Amortisation expenses for the period/year	**29,195**	58,725
	105,614	76,419
Net carrying amount at the end of period/year	**461,386**	490,581

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 2013 (Unaudited) *HK$'000*	As at 31 March 2013 (Audited) *HK$'000*
Available-for-sale financial assets comprise:		
Unlisted equity securities in Hong Kong	**400**	400
Analysed for reporting purposes as:		
Non-current assets	**400**	400

Unlisted equity securities represented the securities issued by a private entity incorporated in Hong Kong. The private entity is principally engaged in outdoor advertising in Hong Kong. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reasonably. During the year ended 31 March 2013, an objective evidence of impairment was considered to exist due to adverse financial position of such private entity. For the purpose of impairment, the recoverable amount has been determined under the market-based approach and the number of contracts on hand. The management considered that the recoverable amount of available-for-sale financial assets was significantly less than its investment cost and hence an impairment loss of approximately HK$66,741,000 was recognised against the investment cost.

14. TRADE AND OTHER RECEIVABLES

	As at 30 September 2013 (Unaudited) *HK$'000*	As at 31 March 2013 (Audited) *HK$'000*
Trade receivables *(note (i) & (iii))*	**–**	3,146
Retention receivables *(note (ii) & (iii))*	**8,131**	7,852
Other receivables and prepayments *(note (iv))*	**24,749**	21,826
Amounts due from customers for contract works *(note 15)*	**5,023**	2,580
Amount due from a shareholder *(note (v))*	**608**	–
Deposits	**8,424**	8,305
	46,935	43,709

14. TRADE AND OTHER RECEIVABLES *(continued)*

Notes:

(i) Trade receivables as at the end of the reporting period mainly derived from provision of construction works on civil engineering contracts. The related customers are mainly government department/organisation and reputable corporations. 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 2013 (Unaudited)	As at 31 March 2013 (Audited)
	HK$'000	*HK$'000*
Current	–	3,146

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.

(iv) It mainly consists of prepayment of insurance and advance payment to subcontractors.

(v) Amount due from a shareholder represents amount due from a substantial shareholder, 中國新華新聞電視網有限公司 ("CNC China"), which is unsecured, interest-free and recoverable on demand.

15. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORKS

	As at 30 September 2013 (Unaudited)	As at 31 March 2013 (Audited)
	HK$'000	*HK$'000*
Contracts in progress at the end of the reporting period:		
Contract costs incurred to date plus recognised profits	**758,625**	619,263
Less: recognised losses	**–**	–
	758,625	619,263
Progress billings	**(753,602)**	(616,683)
	5,023	2,580
Analysed for reporting purposes as:		
Amounts due from customers for contract works *(note 14)*	**5,023**	2,580

16. TRADE AND OTHER PAYABLES

	As at 30 September 2013 (Unaudited)	As at 31 March 2013 (Audited)
	HK$'000	*HK$'000*
Trade payables	**20,044**	25,930
Retention money payables	**5,295**	3,955
Advance received from customers *(note (i))*	**2,800**	2,800
Amount due to a shareholder *(note (ii))*	**13,797**	18,060
Amounts due to directors *(note (iii))*	**4,758**	–
Interest payable	**29,317**	13,421
Amount due to a related party *(note (iv))*	**2,009**	2,009
Other payables and accruals	**26,145**	11,824
	104,165	77,999
Less:		
Interest payable – non-current portion	**–**	(2,217)
	104,165	75,782

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) Amounts due to directors are unsecured, interest-free and repayable on demand.

(iv) Amount due to a related party represents amount due to 新華音像中心. 新華音像中心 and China Xinhua NNC have a common shareholder, Xinhua News Agency (新華社). The amount is unsecured, interest-free and repayable on demand.

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 2013 (Unaudited)	As at 31 March 2013 (Audited)
	HK$'000	*HK$'000*
Current or less than 1 month	**18,945**	22,679
1 to 3 months	**598**	2,990
More than 3 months but less than 12 months	**276**	15
More than 12 months	**225**	246
	20,044	25,930

17. FINANCE LEASE PAYABLES

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 2013		
	Minimum lease payments (Unaudited)	**Interest (Unaudited)**	**Present value (Unaudited)**
	HK$'000	***HK$'000***	***HK$'000***
Not later than one year	**2,880**	**157**	**2,723**
Later than one year and not later than five years	**2,511**	**107**	**2,404**
	5,391	**264**	**5,127**

	As at 31 March 2013		
	Minimum lease payments (Audited)	Interest (Audited)	Present value (Audited)
	HK$'000	*HK$'000*	*HK$'000*
Not later than one year	2,941	190	2,751
Later than one year and not later than five years	3,495	156	3,339
	6,436	346	6,090

18. 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 during the year ended 31 March 2012 upon the completion of the acquisition of 17% equity interests in China New Media (HK) Limited ("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 date of issue. Unless previously redeemed, Profit Station will redeem the promissory note on its maturity date.

	As at 30 September 2013 (Unaudited) ***HK$'000***	As at 31 March 2013 (Audited) *HK$'000*
At the begining of the period/year	**43,440**	42,336
Interest charged at an effective interest rate of 5.744%	**1,255**	2,455
Interest payable	**(678)**	(1,351)
Balance at the end of the period/year	**44,017**	43,440

Interest expenses on the promissory note are calculated using the effective interest method by applying effective interest rate of 5.744%. The promissory note is classified as current liabilities as at 30 September 2013 due to the current obligation for redemption within one year.

19. CONVERTIBLE NOTES

During the year ended 31 March 2012, 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.

19. CONVERTIBLE NOTES *(continued)*

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 2013 (Unaudited) *HK$'000*	As at 31 March 2013 (Audited) *HK$'000*
Equity component:		
At the beginning of the period/year and the end of the period/year	**20,997**	20,997
Liability component:		
At the begining of the period/year	**592,787**	584,365
Interest charged at an effective interest rate of 6.64%	**19,976**	38,773
Interest payable	**(15,218)**	(30,351)
Balance at the end of the period/year	**597,545**	592,787

20. SHARE CAPITAL

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

21. OPERATING LEASE COMMITMENTS

The Group as leasee

	Six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Minimum lease payments paid under operating leases during the period	**7,218**	4,374

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 2013	As at 31 March 2013
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Within one year	**13,948**	12,215
In the second to fifth years inclusive	**31,394**	30,434
Over five years	**13,083**	14,833
	58,425	57,482

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.

22. CAPITAL COMMITMENTS

	As at 30 September 2013	As at 31 March 2013
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Commitments for the acquisition of property, plant and equipment	**10,704**	10,704

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	
		2013 (Unaudited) *HK$'000*	2012 (Unaudited) *HK$'000*	**2013 (Unaudited) *HK$'000***	2012 (Unaudited) *HK$'000*
A company that Chia Kar Hin, Eric John ("Mr. Chia"), an executive Director, had material interest	Rental expenses for an office premise paid *(note (i))*	**–**	75	**–**	30
	Service fee for announcement posting agreement	**5**	5	**3**	2
	Company secretarial fees paid	**27**	6	**17**	2
China Xinhua NNC	Annual fee for television broadcasting right *(note (ii))*	**500**	500	**250**	250
	Advertising income *(note (iii))*	**4,679**	972	**2,352**	972
	Accrued interests on Convertible Notes *(note (iv))*	**9,953**	9,953	**5,004**	5,004
CNC China	Advertising income *(note (v))*	**608**	–	**608**	–
A company that Dr. Lee Yuk Lun ("Dr. Lee") had material interests	Accrued interests on Convertible Notes *(note (iv))*	**4,387**	4,387	**2,205**	2,205

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.

23. RELATED PARTY TRANSACTIONS *(continued)*

Notes: (continued)

(iii) Pursuant to the advertisement broadcasting contract signed between the Group and China Xinhua NNC on 24 August 2012, China Xinhua NNC has agreed to pay the Group, in cash, 50% of any amount that CNC China receives as the economic entitlement of CNC China under the advertisement operation cooperation contract dated 23 May 2011 entered into between CNC China and AVIC Culture Co., Limited ("AVIC Culture") relating to the grant of the exclusive right by CNC China to AVIC Culture for the promotion and operation of 58% of the advertising resources of the CNC Channels, which are developed and currently maintained by China Xinhua NNC ("Partial Advertisement Operation Right"), for the period from 25 May 2011 to 25 August 2016 (the "Advertisement Operation Cooperation Contract"), being a guaranteed fixed fee of RMB90 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.

(iv) During the six months ended 30 September 2013, the convertible notes interests payable to China Xinhua NNC and Proud Glory Investments Limited ("Proud Glory"), a company that Dr. Lee had material interests, amounted to approximately HK$9,953,000 (six months ended 30 September 2012: approximately HK$9,953,000) and approximately HK$4,387,000 (six months ended 30 September 2012: approximately HK$4,387,000) respectively.

(v) On 22 July 2013, the Company and 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 television channels controlled by the Company to CNC China and its associates for the advertisement businesses of independent third party clients undertook by them. On 22 July 2013, the Group entered into the channel resources usage agreement with CNC China for broadcasting advertisements of the Ministry of Commerce of the PRC ("MOFCOM") Department of Foreign Investment Administration (the "MOFCOM CRU Agreement") and the channel resources usage agreement with CNC China for broadcasting advertisements of Yibin Wuliangye Liquor Sales Co., Ltd. (the "Wuliangye CRU Agreement") respectively. Both MOFCOM CRU Agreement and Wuliangye CRU Agreement became effective on 22 July 2013 and will end on 31 March 2016. As consideration, CNC China will pay the Group certain percentage of the advertisement broadcasting fees (after deducting applicable PRC taxes) for using such advertising resources based on the terms and conditions of each agreement.

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. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active markets are determined with reference to quoted market bid prices and ask prices respectively.

- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

- The fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate to their fair values.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

24. FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

	As at 30 September 2013 (unaudited)			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Available-for-sale financial assets				
Unlisted equity securities *(note)*	**–**	**–**	**400**	**400**
Financial assets at fair value through profit or loss	**38,613**	**–**	**–**	**38,613**
Total	**38,613**	**–**	**400**	**39,013**

	As at 31 March 2013 (audited)			
	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale financial assets				
Unlisted equity securities *(note)*	–	–	400	400

Note:

The unlisted equity securities was recognised as cost less impairment at the end of each reporting period.

25. EVENTS AFTER THE REPORTING PERIOD

On 30 October 2013 and 31 October 2013, China Xinhua NNC and Proud Glory agreed to waive the payment of Convertible Notes interests incurred from 9 December 2012 to 8 December 2013 amounting to approximately HK$19,852,000 and from 9 December 2012 to 8 December 2014 amounting to approximately HK$17,500,000 respectively.

26. COMPARATIVES

Certain comparative figures have been reclassified to conform with the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is principally engaged in the provision of waterworks engineering services, road works, drainage services, site formation works for the public sector in Hong Kong and television broadcasting 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 six months ended 30 September 2013 (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 six subcontracts. Among the nine contracts, six are related to provision of waterworks engineering services and the three remaining contracts are related to drainage services. Details of the contracts undertaken are set out below:

	Contract number	**Particulars of contract**
Main contracts	9/WSD/09	Replacement and rehabilitation of water mains stage 3 – mains in Sai Kung
	8/WSD/11	Construction of Pak Shek Kok Fresh Water Service Reservoir Extension
	3/WSD/13	Mainlaying near She Shan Tsuen, Tai Po
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 sewage, stage 2, phase 1
	DC/2012/08	Lam Tsuen Valley Sewerage – village sewage, stage 2, phase 2

Among the above nine contracts, one main contract (contract numbered 3/WSD/13) was newly awarded during the Period.

During the Period, the two contracts with contracts numbered 8/WSD/10 and 18/WSD/08 were the main contributors to the Group's revenue, which generated approximately HK$75.7 million and HK$24.4 million revenue, constituting approximately 51.8% and 16.7% 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.

In order to support the Company's business, on 22 July 2013, the Company and CNC China entered into 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 entered into 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 MOFCOM Department of Foreign Investment Administration. On the same day, Xinhua TV Asia-Pacific entered into 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. 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.

Financial Review

Revenue

During the Period, the Group reported a revenue of approximately HK$145.9 million (2012: approximately HK$139.1 million), representing an increase of approximately 4.9% 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 96.3% and 3.7% 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 Lam Tsuen Valley Sewerage – village sewage, stage 2, phase 1 and phase 2 (contract number DC/2012/07 and DC/2012/08). The Group derived advertising revenue of approximately HK$5.3 million (2012: approximately HK$7.0 million) during the Period.

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$135.2 million (2012: approximately HK$98.5 million), representing approximately 92.6% (2012: approximately 70.9%) of the total revenue for the Period. On the other hand, the revenue generated from the undertaking of waterworks contracts in the capacity of a main contractor amounted to approximately HK$5.4 million (2012: approximately HK$33.5 million), representing approximately 3.7% (2012: approximately 24.1%) of the total revenue for the Period.

Cost of services

The Group's cost of services for the Period increased by approximately 4.3% to approximately HK$134.9 million (2012: approximately HK$129.3 million) as compared with that for the same period of previous year. Cost of services mainly includes costs of construction services, transmission costs and broadcasting fee. Cost of construction services mainly comprises raw materials, direct labour and subcontracting fee for the services provided by the subcontractors. Transmission costs comprise satellite transmission fee and carriage fee payable to satellite operator while broadcasting fee comprises annual fee payable to media broadcasting providers and China Xinhua NNC, a shareholder of the Company.

Gross profit

The gross profit of the Group for the Period increased by approximately 13.0% to approximately HK$11.0 million (2012: approximately HK$9.8 million) as compared with that for the same period of the previous year. The gross profit margin of the Group increased to approximately 7.6% for the Period (2012: approximately 7.0%). 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$18.7 million (2012: approximately HK$493,000). The increase in other income and gains was mainly due to the unrealised 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 2.3% to approximately HK$29.2 million (2012: approximately HK$29.9 million) as compared with that for the same period of the previous year. The amortisation expenses mainly consisted of amortisation of television broadcasting right and film rights for the television broadcasting business.

Selling and distribution expenses

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

Administrative expenses

The Group's administrative expenses for the Period increased by approximately 19.2% to approximately HK$15.0 million (2012: approximately HK$12.6 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 and depreciation expenses of head office due to expansion of business.

Finance costs

The Group's finance costs for the Period increased by approximately 2.8% to approximately HK$21.3 million (2012: approximately HK$20.8 million) as compared with that for the same period of the previous year. The finance costs mainly consist of interest expenses for the promissory note and Convertible Notes.

Net Loss

The net loss attributable to owners of the Company for the Period decreased by approximately 30.2% to approximately HK$33.9 million (2012: approximately HK$48.6 million). The net loss was mainly resulted from amortisation expenses and finance costs on the promissory note and Convertible Notes of the Group.

Share of results of jointly controlled entities

The Group's share of loss of jointly controlled entities amounted to approximately HK$408,000 (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.

Loss per Share

The basic loss per Share was approximately HK2.03 cents (2012: approximately HK2.90 cents).

Prospects

Upon the launch of outdoor mass media advertising business, the Directors expect that it, in addition to the television broadcasting business, will be another key driver of our future revenue growth while the provision of waterworks and civil construction 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 had commenced in Jan 2012 and will be completed in 2015. About 350 kilometres of water mains will be replaced and rehabilitated at this stage.

Not only will the R&R Programme launched by WSD continue to open up numerous waterworks opportunities to the Group, the infrastructure and development projects being currently implemented or to be implemented by the Hong Kong Government, roads and drainage works and site formation works will also create tremendous business opportunities to the Group in the future. On 9 September 2013, the Group has obtained a new main contract of mainlaying near She Shan Tsuen, Tai Po (contract numbered 3/WSD/13) with total contract sum of approximately HK$75.0 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

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. Towards to this end, the Company entered into the MOFCOM CRU Agreement and the Wuliangye CRU Agreement earlier this year which will bring and boost the advertising revenue of the Company.

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 key driver in future revenue growth.

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 growing advertising capability, 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.

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$70.0 million in deficit as at 30 September 2013 (31 March 2013: approximately HK$36.1 million). The increase in deficit was mainly resulted from the net loss suffered by the Group during the Period.

Liquidity and Financial Resources

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

As at 30 September 2013, the Group had net current liabilities of approximately HK$33.3 million (31 March 2013: net current assets of approximately HK$15.5 million), including cash balance of approximately HK$15.0 million (31 March 2013: approximately HK$33.3 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 0.79 as at 30 September 2013 (31 March 2013: approximately 1.18). The incurrence of net current liabilities and the decrease in current ratio were primarily due to higher trade and other payables as a result of more business activities and business development and the current obligation of redemption of the promissory note on its maturity date being 11 August 2014.

Gearing Ratio

The gearing ratio, which is based on the amount of total promissory note and Convertible Notes and obligations under finance lease and advance received from customers divided by total assets, was approximately 84.5% as at 30 September 2013 (31 March 2013: approximately 83.2%). The increase was resulted from the increase in total liabilities due to amortisation of promissory note and Convertible Notes and higher trade and other payables as a result of more business activities.

Foreign Exchange Exposure

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

Capital Commitment

As at 30 September 2013, the Group had an outstanding commitment of approximately HK$10.7 million (31 March 2013: approximately HK$10.7 million) in respect of acquisition of property, plant and equipment. Save as aforesaid, the Group did not have any significant capital commitments.

Charges on the Group's Assets

The Group's motor vehicles with net book value as at 30 September 2013 amounted to approximately HK$6.8 million (31 March 2013: approximately HK$7.5 million) was held under finance lease. As at 30 September 2013, the Group pledged its machinery and motor vehicles with net book values of approximately HK$0.2 million (31 March 2013: approximately HK$0.3 million) and approximately HK$2.7 million (31 March 2013: approximately HK$3.6 million) respectively as securities for its performance of obligation 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 2013, the Group did not have any material contingent liabilities (31 March 2013: nil).

Dividends

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

Information on Employees

As at 30 September 2013, the Group had 252 full-time employees in Hong Kong and over 90% of them are direct labour. Total staff costs (including Directors' remuneration) for the Period amounted to approximately HK$31.7 million (2012: approximately HK$28.0 million), representing an increase of approximately 13.3% over that for the 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 training for its staff to enhance their skills and knowledge.

Significant Investment Held

As at 30 September 2013, the Group held 17% equity interest in issued share capital of China New Media as a long term investment.

Except for investment in subsidiaries and the investment 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

As at 30 September 2013, 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 of the Company 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 September 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 *(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 *(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, 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 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 respectively.

(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 September 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 September 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/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%
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 Mr. Kan under the SFO.

(e) APT Satellite Holdings Limited, APT Satellite International Company Limited, 中國航天科技集團公司 and 中國衛星通信集團有限公司 are controlling shareholders, either directly or indirectly, of APT Satellite TV Development Limited. Accordingly, APT Satellite Holdings Limited, APT Satellite International Company Limited, 中國航天科技集團公司 and 中國衛星通信集團有限公司 are deemed to be interested in the 178,571,429 underlying Shares held by APT Satellite TV Development Limited under the SFO.

Saved as disclosed above, as at 30 September 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 ended in June 2013 and thus Optima Capital Limited ceased to be the Compliance Adviser.

CONNECTED TRANSACTIONS

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

Announcement Posting Agreements

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 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").

And 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 and 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.

CRU Framework Agreement

On 19 December 2012, CNC China and the MOFCOM Department of Foreign Investment Administration (商務部外國投資管理司) entered into an advertisement broadcasting agreement (the "MOFCOM Advertisement Broadcasting Agreement") in relation to the provision of advertising resources of the television channels controlled by CNC China to broadcast advertisements of the MOFCOM Department of Foreign Investment Administration.

On 25 December 2012, Sichuan Branch of Xinhua News Agency and Yibin Wuliangye Liquor Sales Co., Ltd entered into an advertisement broadcasting agreement (the "Wuliangye Advertisement Broadcasting Agreement") in relation to the provision of advertising resources of the television channels controlled by CNC China to broadcast advertisements of Yibin Wuliangye Liquor Sales Co., Ltd. On 22 July 2013, CNC China and Sichuan Branch of Xinhua News Agency entered into the advertisement broadcasting authorisation agreement (the "Wuliangye Advertisement Broadcasting Authorisation Agreement") in relation to the provision of advertising resources of the television channels controlled by CNC China to broadcast advertisements of Yibin Wuliangye Liquor Sales Co., Ltd.

To support the operation of the Company, on 22 July 2013, the Company and CNC China entered into 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.

In order to implement the CRU Framework Agreement, on 22 July 2013, Xinhua TV Asia-Pacific entered into 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 MOFCOM Department of Foreign Investment Administration. On the same day, Xinhua TV Asia-Pacific entered into 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.

As consideration for using such advertising resources, CNC China will pay the Group 50% of the advertisement broadcasting fees (after deducting applicable PRC taxes) it receives from the MOFCOM Department of Foreign Investment Administration under the MOFCOM Advertisement Broadcasting Agreement (including those received before the effectiveness of the MOFCOM CRU Agreement); and 50% of the advertisement broadcasting fees (after deducting applicable PRC taxes) it receives from Sichuan Branch of Xinhua News Agency under the Wuliangye Advertisement Broadcasting Authorisation Agreement (including those received before the effectiveness of the Wuliangye CRU Agreement). Such advertisement broadcasting fees that CNC China are entitled to equal to 30% of the advertisement broadcasting fees that Sichuan Branch of Xinhua News Agency receives from Yibin Wuliangye Liquor Sales Co., Ltd. under the Wuliangye Advertisement Broadcasting Agreement (including those received before the effectiveness of the Wuliangye Advertisement Broadcasting Authorisation Agreement).

Since CNC China is a substantial shareholder and a connected person of the Company within the meaning of the GEM Listing Rules, the transactions contemplated under the CRU Framework Agreement constitute continuing connected transactions for the Company pursuant to Chapter 20 of the GEM Listing Rules.

GEM Listing Rules Implications

Pursuant to Rule 20.41 of the GEM Listing Rules, the transactions contemplated under the Television Broadcasting Right Agreement are subject to the applicable reporting, annual review and disclosure requirements under Chapter 20 of the GEM Listing Rules. The Company will comply with the applicable reporting, disclosure and independent shareholders' approval requirements, as the case may be, under Chapter 20 of the GEM Listing Rules upon any variation or renewal of the Television Broadcasting Right Agreement.

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 requirement under Chapter 20 of the GEM Listing Rules because the highest applicable percentage ratio of the annual 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.

Also pursuant to Rule 20.41 of the GEM Listing Rules, the transactions contemplated under the CRU Framework Agreement are subject to the applicable reporting, announcement and annual review requirements but exempt from independent shareholders' approval requirement under Chapter 20 of the GEM Listing Rules because the highest applicable percentage ratio of the annual caps (including the proposed annual caps of the transactions under Advertisement Broadcasting Contract as mentioned above), 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 CRU Framework Agreement.

As 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 and 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 and their respective associates has any other conflict of interests with the Group during the Period.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms which are the same as the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company periodically issues notices to its Directors reminding them of the general prohibition on dealing in the Company's listed securities during the blackout periods before the publication of announcements of financial results. The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the required standards of dealings throughout the Period. The Company was not aware of any non-compliance in this respect during the Period.

CORPORATE GOVERNANCE CODE

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

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established on 11 August 2010 with terms of reference in compliance with paragraph C3.3 of the Code. The primary duties of the Audit Committee include, among other things, reviewing and supervising the financial reporting process and internal control systems, as well as the overall risk management of the Group, reviewing the financial statements and the quarterly, interim and annual reports of the Group, and reviewing the terms of engagement and scope of audit work of the external auditors.

The Audit Committee consisted of six members, four of them are independent non-executive Directors and two of them are non-executive Directors. As at 30 September 2013, the members of the Audit Committee are 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 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, 1 November 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