

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

Third Quarterly Report

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

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This report, for which the directors (the “Director(s)”) of CNC Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this report misleading.

HIGHLIGHTS

- The Group's revenue for the nine months ended 31 December 2013 increased by approximately 17.3% to approximately HK\$234.5 million (2012: approximately HK\$200.0 million).
- Loss attributable to owners of the Company for the nine months ended 31 December 2013 decreased by approximately 94.1% to approximately HK\$2.7 million (2012: approximately HK\$46.0 million).
- Basic loss per share for the nine months ended 31 December 2013 was approximately HK 0.16 cent (2012: approximately HK 2.75 cents).
- The Board does not recommend the payment of any dividend for the nine months ended 31 December 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 and nine months ended 31 December 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 three months and nine months ended 31 December 2013

	Notes	Nine months ended 31 December		Three months ended 31 December	
		2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Revenue	3	234,528	200,017	88,579	60,947
Cost of services		(216,424)	(186,913)	(81,514)	(57,616)
Gross profit		18,104	13,104	7,065	3,331
Other income	3	30,570	28,698	30,555	28,632
Other gains and losses	3	45,899	428	27,183	1
Amortisation expenses		(44,048)	(44,200)	(14,818)	(14,279)
Selling and distribution expenses		(43)	(423)	(43)	–
Administrative expenses		(20,976)	(19,670)	(5,959)	(7,074)
Profit/(loss) from operations	5	29,506	(22,063)	43,983	10,611
Finance costs		(32,025)	(31,207)	(10,682)	(10,437)
Share of results of jointly controlled entities		(205)	–	203	–
(Loss)/profit before income tax		(2,724)	(53,270)	33,504	174
Income tax	6	19	7,301	(2,272)	2,483
(Loss)/profit and total comprehensive (loss)/income for the period attributable to owners of the Company		(2,705)	(45,969)	31,232	2,657
(Loss)/earnings per share attributable to owners of the Company	8				
– Basic (HK cent(s))		(0.16)	(2.75)	1.86	0.16
– Diluted (HK cent(s))		(0.16)	(2.75)	0.86	0.16

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)*For the nine months ended 31 December 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	-	-	-	-	(2,705)	(2,705)
As at 31 December 2013	1,674	735,089	17,381	9,868	(802,820)	(38,808)
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	-	-	-	-	(45,969)	(45,969)
Issue of Shares pursuant to the placing	10	9,990	-	-	-	10,000
Share placement expenses	-	(407)	-	-	-	(407)
As at 31 December 2012	1,674	735,089	17,381	9,868	(729,895)	34,117

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 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 subsidiaries are engaged in the provision of waterworks engineering services for the public sector in Hong Kong, television broadcasting business in the Asia-Pacific region (excluding the People's Republic of China (the "PRC")) in return for advertising and related revenue and large outdoor display screen advertisement business in the PRC.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated third quarterly financial statements for the nine months ended 31 December 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 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, OTHER INCOME AND OTHER GAINS AND LOSSES

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

	Nine months ended		Three months ended	
	31 December		31 December	
	2013	2012	2013	2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue				
Revenue from construction works	221,423	190,421	80,811	58,365
Advertising income	13,105	9,596	7,768	2,582
	234,528	200,017	88,579	60,947
Other income				
Interest income	16	7	2	4
Sundry income	150	89	149	26
Waiver of convertible notes interests	30,404	28,602	30,404	28,602
	30,570	28,698	30,555	28,632
Other gains and losses				
Exchange gain, net	116	–	45	–
Fair value changes on				
– financial assets at fair value through profit or loss	49,306	–	30,669	–
– convertible notes designated at fair value through profit or loss	(3,531)	–	(3,531)	–
Net gains on disposals of property, plant and equipment	8	428	–	1
	45,899	428	27,183	1

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. The Group's business segments include:

- (i) Provision of waterworks engineering services – Provision of waterworks engineering services, road works, drainage services and site formation works for public sector in Hong Kong;
- (ii) Television broadcasting business – the business of broadcasting television programmes on television channels operated by television broadcasting companies in the Asia Pacific region (excluding the PRC) in return for advertising and related revenue; and
- (iii) Large outdoor display screen advertisement business – the business of broadcasting advertisements on the large outdoor display screens in the PRC.

4. SEGMENT INFORMATION *(continued)*

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches. There are no inter-segment sales between the respective segments for both periods.

Segment revenue and results

For the nine months ended 31 December 2013

	Provision of waterworks engineering services HK\$'000 (Unaudited)	Television broadcasting business HK\$'000 (Unaudited)	Large outdoor display screen advertisement business HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue from external customers	221,423	11,105	2,000	234,528
Other income	150	–	–	150
Other gains and losses	9	73	–	82
Reportable segment revenue	221,582	11,178	2,000	234,760
Reportable segment results	5,360	(39,777)	880	(33,537)
Unallocated corporate income				79,768
Unallocated expenses				(16,930)
Finance costs				(32,025)
Loss before income tax				(2,724)

For the nine months ended 31 December 2012

	Provision of waterworks engineering services HK\$'000 (Unaudited)	Television broadcasting business HK\$'000 (Unaudited)	Large outdoor display screen advertisement business HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue from external customers	190,421	9,596	–	200,017
Other income	63	26	–	89
Other gains and losses	428	–	–	428
Reportable segment revenue	190,912	9,622	–	200,534
Reportable segment results	3,003	(41,698)	–	(38,695)
Unallocated corporate income				28,609
Unallocated expenses				(11,977)
Finance costs				(31,207)
Loss before income tax				(53,270)

5. PROFIT/(LOSS) FROM OPERATIONS

Profit/(loss) from operations is arrived at after charging the following:

	Nine months ended		Three months ended	
	31 December		31 December	
	2013	2012	2013	2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amortisation of intangible assets (included in amortisation expenses)	43,873	42,684	14,678	14,279
Amortisation of film rights (included in amortisation expenses)	175	1,516	140	–
Depreciation of property, plant and equipment	10,889	7,986	4,180	3,264

6. INCOME TAX

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

	Nine months ended		Three months ended	
	31 December		31 December	
	2013	2012	2013	2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax – Hong Kong profits tax – current period	4,863	385	4,850	258
Deferred tax – current period	(4,882)	(7,686)	(2,578)	(2,741)
Income tax	(19)	(7,301)	2,272	(2,483)

Hong Kong profits tax is calculated at 16.5% (2012: 16.5%) on the estimated assessable profits arising in Hong Kong during each of three months and nine months ended 31 December 2013 and 2012.

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

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 nine months ended 31 December 2013 and 2012.

7. DIVIDENDS

The Board does not recommend the payment of any dividend for each of the three months and nine months ended 31 December 2013 respectively (2012: Nil).

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

The calculations of basic earnings/(loss) per Share for the three months and nine months ended 31 December 2013 are based on the unaudited consolidated profit of approximately HK\$31,232,000 and unaudited consolidated loss of approximately HK\$2,705,000 attributable to owners of the Company for each of the three months and nine months ended 31 December 2013 respectively (unaudited consolidated profit and loss for the three months and nine months ended 31 December 2012: approximately HK\$2,657,000 and HK\$45,969,000 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 nine months ended 31 December 2013 respectively (weighted average number of Shares in issue for the three months and nine months ended 31 December 2012: 1,674,735,664 and 1,674,335,664 respectively) as if they had been in issue throughout the periods.

The calculation of diluted earnings per Share for the three months ended 31 December 2013 was based on approximately HK\$41,225,000, being the unaudited consolidated profit attributable to owners of the Company of approximately HK\$31,232,000 as used in the calculation of basic earnings per Share plus effective interest expenses on convertible notes of approximately HK\$9,993,000. The weighted average number of Shares used in the calculation of diluted earnings per Share was 4,771,828,572 Shares, calculated based on the weighted average of 1,674,735,664 Shares in issue for the three months ended 31 December 2013 as used in the calculation of the basic earnings per Share plus the weighted average of 3,097,092,908 Shares deemed to be issued as if all the Company's convertible notes had been exercised.

The diluted loss per Share for the nine months ended 31 December 2012 and 31 December 2013 were the same as that of the basic loss per Share as the potential ordinary Shares had an anti-dilutive effect on the basic loss per Share for the periods.

The diluted earnings per Share for the three months ended 31 December 2012 was the same as that of the basic earnings per Share as the potential ordinary Shares had an anti-dilutive effect on the basic earnings per Share for the period.

9. SHARE CAPITAL

	Number of Shares	Nominal value HK\$'000
Authorised:		
As at 1 April 2013 and 31 December 2013 (Unaudited)	500,000,000,000	500,000
Issued and fully paid:		
As at 1 April 2013 and 31 December 2013 (Unaudited)	1,674,735,664	1,674

10. EVENTS AFTER THE REPORTING PERIOD

- On 2 January 2014, the Company entered into a placing agreement with Emperor Securities Limited to place an aggregate of 50,000,000 Shares to not less than six placees at a price of HK\$1.02 per placing Share. The Company was informed by Emperor Securities Limited that the placing has not been successful on or before 30 January 2014 due to the recent market conditions and accordingly the placing agreement was lapsed and the placing will not proceed further.
- On 28 January 2014, the convertible notes with principal amount of HK\$40,000,000 were converted into 204,081,632 Shares of HK\$0.001 each at a conversion price of HK\$0.196 per Share.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is principally engaged in the provision of waterworks engineering services for the public sector in Hong Kong, television broadcasting business in the Asia-Pacific region (excluding the PRC) in return for advertising and related revenue and large outdoor display screen advertisement business in the PRC. During the nine months ended 31 December 2013 (the "Period"), the Group continued to focus on rendering waterworks engineering services to the public sector in Hong Kong and develop its television broadcasting business in the Asia-Pacific region (excluding the PRC). At the same time, the Group has committed to develop its large outdoor display screen advertisement business in the PRC.

Provision of waterworks engineering services

During the Period, the Group has been undertaking three main contracts and seven subcontracts. Among the ten contracts, seven are related to provision of waterworks engineering services and the remaining is 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
	3/WSD/13	Mainlying 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
	5/WSD/13	Replacement and rehabilitation of water mains, stage 4 phase 1 and stage 4 phase 2 – mains in northern and eastern New Territories

Among the above ten contracts, one main contract (contract numbered 3/WSD/13) and one subcontract (contract numbered 5/WSD/13) were newly awarded during the Period.

During the Period, the two contracts with contracts numbered 8/WSD/10 and DC/2012/07 were the main contributors to the Group's revenue, which generated approximately HK\$114.0 million and HK\$30.4 million of the Group's total revenue respectively.

Television broadcasting business

The Group's news coverage and television programmes place itself in a unique position among the television broadcasters worldwide. 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. During the Period, the Group has entered into two cooperation agreements and a memorandum of understanding with local television service suppliers in Hong Kong, New Zealand and Thailand respectively so as to further expand the coverage of China Xinhua News Network Channel and China Xinhua News Network World Channel (collectively the "CNC Channels"). In addition to Chinese and English language, the Group will provide certain television programmes which are translated to Thai language and broadcasted in Thailand in order to expand the viewership in countries of different languages. By entering into these cooperation agreements and memorandum of understanding, the Directors consider it will improve the utilisation 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 according to different social themes. During the Period, the Company is producing a documentary television feature programme "ICAC" which is expected to be broadcasted in February 2014.

The Group's television broadcasting business has been strongly supported by its shareholder, Xinhua News Agency. On 22 July 2013, the Company and 中國新華新聞電視網有限公司 ("CNC China"), a substantial shareholder of the Company, entered into a channel resources usage framework agreement (the "CRU Framework Agreement"), pursuant to which CNC China and/or its subsidiaries will procure the sale of advertising resources on the television channels controlled by the Company to independent third party clients for advertising revenue. 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 Operating Co., Limited ("Xinhua TV Asia-Pacific") entered into the channel resources usage agreements with CNC China, pursuant to which Xinhua TV Asia-Pacific agreed to provide advertising resources on its television channels for broadcasting advertisements of the Ministry of Commerce of the PRC ("MOFCOM") Department of Foreign Investment Administration (商務部外國投資管理司) (the "MOFCOM CRU Agreement") and 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 such, the Directors consider that the entering into of the MOFCOM CRU Agreement and the Wuliangye CRU Agreement can utilise its broadcasting network of television channels so as to safeguard stability and security of the continuing operation of the Group's advertising business.

Large outdoor display screen advertisement business

Since mid of 2012, the Group has aimed to develop the large outdoor display screen advertisement business in the PRC. During the Period, the Group has constructed and installed LED displays in Sichuan Chengdu, Jiangsu Xuyi and Jiangsu Kunshan. In addition, the networked LED control platform in which the LED displays can be managed and connected through a centralized network, has been set up. Going forward, the Group will continue to negotiate with potential customers, including but not limited to commercial real estate developers, PRC government authorities and other potential partners for cooperation. During the Period, the Group has started to generate advertising revenue from an advertising agent in relation to the broadcasting of commercial advertisements on large outdoor display screen in Sichuan Chengdu.

To further develop the large outdoor display screen advertisement business in the PRC, the Company has incorporated a wholly-owned subsidiary, which is principally engaged in advertising business in Qianhai, Shenzhen ("Qianhai Company") during the Period. Through the establishment of the Qianhai Company, the Company can tap into the vast advertisement market in the PRC. 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 incorporating the Qianhai Company and leveraging as a Guangdong/Hong Kong cooperation platform helps to enhance the Company's allocation of resources in order to strengthen the development of its business in the Greater China market.

Financial Review

Revenue

For the Period, the Group reported revenue of approximately HK\$234.5 million (2012: approximately HK\$200.0 million), representing an increase of approximately 17.3% as compared with that for the same period of the previous year. The revenue derived from provision of waterworks engineering services, television broadcasting business and large outdoor display screen advertisement business constituted approximately 94.4%, 4.7% and 0.9% 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 Lam Tsuen Valley Sewerage – village sewerage, stage 2, phase 1 and phase 2 (contract number DC/2012/07 and DC/2012/08) and commencement of certain new contracts during the Period. During the Period, the Group derived advertising revenue of approximately HK\$11.1 million (2012: approximately HK\$9.6 million) from television broadcasting business and approximately HK\$2.0 million (2012: Nil) from large outdoor display screen advertisement business.

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\$210.7 million (2012: approximately HK\$148.2 million), representing approximately 89.9% (2012: approximately 74.1%) 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\$10.7 million (2012: approximately HK\$42.2 million), representing approximately 4.5% (2012: approximately 21.1%) of the total revenue for the Period.

Cost of services

The Group's cost of services for the Period increased by approximately 15.8% to approximately HK\$216.4 million (2012: approximately HK\$186.9 million) as compared with that for the same period of previous year. The Group's cost of services mainly includes costs of construction services, transmission costs and broadcasting fee. Cost of construction services mainly comprise raw materials, direct labour and subcontracting fee for services provided by the subcontractors. Transmission costs comprise satellite transmission fee and carriage fee payable to satellite operator while broadcasting fee comprises annual fee payable to media broadcasting providers and China Xinhua News Network Co., Limited ("China Xinhua NNC"), a shareholder of the Company.

Gross profit

The gross profit of the Group for the Period increased by approximately 38.2% to approximately HK\$18.1 million (2012: approximately HK\$13.1 million) as compared with that for the same period of previous year. The gross profit margin of the Group was approximately 7.7% (2012: approximately 6.6%) for the Period. 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

The Group's other income for the Period increased by approximately 6.5% to approximately HK\$30.6 million (2012: approximately HK\$28.7 million) as compared with that for the same period of previous year. The other income was mainly consisted of the waiver of convertible notes interests from the noteholders during the Period.

Other gains and losses

The Group's other gains and losses for the Period increased by approximately 106.2 times to approximately HK\$45.9 million (2012: approximately HK\$428,000) as compared with that of the same period of previous year. The increase in other gains and losses was mainly attributable to the unrealised fair value changes on financial assets at fair value through profit or loss recognised during the Period.

Amortisation expenses

The Group's amortisation expenses for the Period was amounted to approximately HK\$44.0 million (2012: approximately HK\$44.2 million). 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 Period amounted to approximately HK\$43,000 (2012: approximately HK\$423,000). The selling and distribution expenses mainly consisted of advertising expenses for the television broadcasting business for the Period.

Administrative expenses

The Group's administrative expenses for the Period increased by approximately 6.6% to approximately HK\$21.0 million (2012: approximately HK\$19.7 million) as compared with that for the same period of 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 2.6% to approximately HK\$32.0 million (2012: approximately HK\$31.2 million) as compared with that for the same period of 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 94.1% to approximately HK\$2.7 million (2012: approximately HK\$46.0 million) as compared with that for the same period of previous year. The decrease in net loss was mainly attributable to increase in gross profit and other gains and losses for the Period.

Share of results of jointly controlled entities

The Group's share of loss of jointly controlled entities amounted to approximately HK\$0.2 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), Lam Tsuen Valley Sewerage – Village Sewerage, stage 2, phase 2 (contract numbered DC/2012/08) and replacement and rehabilitation of water mains, stage 4 phase 1 and stage 4 phase 2 – mains in northern and eastern New Territories (contract numbered 5/WSD/13) with which the Group and Hsin Chong Construction Company Limited jointly controlled and operated.

Loss per Share

The basic loss per Share for the Period was approximately HK0.16 cent (2012: approximately HK2.75 cents).

Prospects

In addition to television and LED platforms, the Group has been growing its advertising base through mobile platform and diversified its business to video broadcasting business in the Greater China region. Upon the launch of video broadcasting business, the Directors expect that, in addition to the television broadcasting business and large outdoor display screen advertisement business, it will be another key driver of our future revenue growth while the provision of waterworks engineering services will continue to contribute stable revenue to the Group. The Group's overall business diversification strategy enhances the Group's image in a positive manner and suggests that the Group's future prospects remain positive.

Provision of waterworks engineering services

The Group's waterworks engineering services remains the major source of income of the Group. The performance of the Group's waterworks engineering 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 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 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. On 20 November 2013, the Group and Hsing Chong Construction Company Limited have jointly obtained a new main contract of R&R Programme, stage 4 phase 1 and stage 4 phase 2 – mains in northern and eastern New Territories (contract numbered 5/WSD/13) with total contract sum of approximately HK\$433.3 million. We believe that the Group is able to take up more contracts and capture more potential business opportunities.

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

Television broadcasting business

The Group's television broadcasting business continued to make steady progress. 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. In addition to increasing in coverage by looking for cooperation with media providers in different countries, the Group maintained good relationship with those television service providers that are currently working with. In January 2014, the Group entered into a cooperation agreement with a local television service supplier in Australia so as to further expand the coverage of the CNC Channels. Looking forwards, the Group will negotiate the new cooperation mode with the media providers, including new and existing partners in order to balance the interests of all parties be bundled together to form a stable long-term partnership. 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 this end, the Company entered into the MOFCOM CRU Agreement and the Wuliangye CRU Agreement in mid of 2013 which will bring and boost the advertising revenue of the Company.

Large outdoor display screen advertisement business

The Directors believe that the large outdoor display screen advertisement business would be a new direction for the Group. Upon completion of construction and installation of LED displays in Sichuan Chengdu, Jiangsu Xuyi and Jiangsu Kunshan, the Group aims at constructing more LED displays in other PRC cities, including Nanjing and Yangzhou and preliminary site reconnaissance work has been completed.

By leveraging on the brand name of Xinhua News Agency, the Group could save brand development and marketing costs in promoting the large outdoor display screen advertisement business. The Group will continue to negotiate with potential commercial real estate developers, PRC government authorities and other potential partners to boost up the development of this business segment. 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 large outdoor display screen advertisement business in the long run.

Video broadcasting business

On 27 December 2013, the Group entered into a licence agreement (the "Licence Agreement") with The Associated Press (the "AP"), pursuant to which the Group and AP will work together to create and launch a Greater China market video service for the video platforms of three China national telecommunication operators. The Group, in close working consultation with AP, would license selected Sports News Television sports news video, AP technology news video, AP horizons video and AP archive video, and distribute such videos via the video platforms of the telecommunication operators to the mobile phone users in the Greater China region. Such videos cover selected matches from NBA, NHL, PEA, soccer, tennis, etc. and details of the Licence Agreement were set out in the announcement of the Company dated 27 December 2013. The Directors believe that the entering into of the Licence Agreement will help enhance the contents currently broadcasted by the Company, and the means by which such contents are distributed can be diversified into mobile platforms which will further strengthen our presence in the fast expanding Greater China market and in turn attract advertisement revenue.

Aimed at maximizing profit and return for the Group and the shareholders of the Company, the Group is exploring new business opportunity to broaden its source of income and expand the business operations. The Group will continue to put effort into expanding and developing its businesses and we are confident that it will bring our businesses collectively and integrally to new heights in the coming few years.

DIVIDENDS

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

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 31 December 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	14,500,000	–	14,500,000	0.87%

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 14,500,000 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 31 December 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 31 December 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 and underlying Shares:

Name	Number of Shares held			Number of underlying Shares under convertible notes (Note a)			Percentage of aggregate interests to total issued share capital
	Beneficial owner	Interest in controlled corporation	Spouse interest	Beneficial owner	Interest in controlled corporation	Total interests	
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%

Name	Number of Shares held			Number of underlying Shares under convertible notes (Note a)			Percentage of aggregate interests to total issued share capital
	Beneficial owner	Interest in controlled corporation	Spouse interest	Beneficial owner	Interest in controlled corporation	Total interests	
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 31 December 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 report posting obligation after listing.

Television Broadcasting Right Agreement

On 5 September 2011, Xinhua TV Asia-Pacific entered into a television broadcasting right agreement (the "Television Broadcasting Right Agreement") with China Xinhua NNC, pursuant to which China Xinhua NNC granted the television broadcasting right in respect of broadcasting information contents from Xinhua News Agency under 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 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 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 television channels controlled by the Company to CNC China and its associates for the advertisement business of independent third party clients undertaken 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 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 31 December 2013, the members of the Audit Committee are Mr. Wong Chung Yip, Kenneth, Mr. Hau Chi Kit, Mr. Li Yong Sheng, Ms. Liang Hui, Mr. Jin Hai Tao and Mr. Chu Siu Lun, Ivan. Mr. Wong Chung Yip, Kenneth is 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 February 2014

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:

Ms. Liang Hui
Mr. Li Yong Sheng

Independent non-executive Directors:

Mr. Wong Chung Yip, Kenneth
Mr. Jin Hai Tao
Mr. Hau Chi Kit
Mr. Chu Siu Lun, Ivan