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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This announcement, 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 announcement 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 announcement misleading.

HIGHLIGHTS

- The Group's revenue for the six months ended 30 September 2016 increased by approximately 35.9% to approximately HK$225.4 million (2015: approximately HK$165.9 million).

- Loss attributable to owners of the Company for the six months ended 30 September 2016 increased by approximately 5.4% to approximately HK$35.3 million (2015: approximately HK$33.5 million).

- Basic loss per Share for the six months ended 30 September 2016 was approximately HK0.87 cent (2015: approximately HK0.88 cent).

- The Board does not recommend the payment of any dividend for the six months ended 30 September 2016.

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 2016, together with the unaudited comparative figures for the corresponding periods in 2015, as follows:

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

For the three months and six months ended 30 September 2016

		Six months ended 30 September		Three months ended 30 September	
		2016	2015	**2016**	2015
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	*3*	**225,393**	165,890	**102,063**	88,309
Cost of services		**(222,632)**	(161,525)	**(105,580)**	(85,939)
Gross profit/(loss)		**2,761**	4,365	**(3,517)**	2,370
Other income	*4*	**960**	748	**372**	620
Other gains and losses	*5*	**1,962**	1,862	**505**	1,416
Amortisation expenses		**(10,130)**	(11,882)	**(5,211)**	(6,118)
Selling and distribution expenses		**(346)**	(52)	**(103)**	(9)
Administrative expenses		**(12,805)**	(16,075)	**(6,334)**	(8,218)
Changes in fair value of financial assets at fair value through profit or loss		**(1,504)**	100	**(119)**	–
Loss from operations	*7*	**(19,102)**	(20,934)	**(14,407)**	(9,939)
Finance costs	*9*	**(18,019)**	(16,495)	**(9,060)**	(7,856)
Loss before income tax		**(37,121)**	(37,429)	**(23,467)**	(17,795)
Income tax	*10*	**1,845**	3,958	**1,042**	2,098
Loss for the period		**(35,276)**	(33,471)	**(22,425)**	(15,697)

	Notes	Six months ended 30 September **2016** **HK$'000**	Six months ended 30 September 2015 *HK$'000*	Three months ended 30 September **2016** **HK$'000**	Three months ended 30 September 2015 *HK$'000*
Other comprehensive loss:					
Items that may be classified subsequently to profit or loss:					
Exchange differences on translating foreign operations		**(800)**	(973)	**(185)**	(1,100)
Other comprehensive loss for the period		**(800)**	(973)	**(185)**	(1,100)
Total comprehensive loss for the period		**(36,076)**	(34,444)	**(22,610)**	(16,797)
Loss for the period attributable to owners of the Company		**(35,276)**	(33,471)	**(22,425)**	(15,697)
Total comprehensive loss for the period attributable to owners of the Company		**(36,076)**	(34,444)	**(22,610)**	(16,797)
Loss per Share attributable to owners of the Company	*12*				
– Basic and diluted *(HK cent)*		**(0.87)**	(0.88)	**(0.55)**	(0.40)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2016

	Notes	As at 30 September 2016 (Unaudited) HK$'000	As at 31 March 2016 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	*13*	**52,876**	40,662
Intangible assets	*14*	**90,127**	99,310
		143,003	139,972
Current assets			
Film rights		**–**	–
Inventories		**16,639**	27,134
Trade and other receivables	*15*	**122,993**	116,890
Tax recoverable		**445**	1,123
Financial assets at fair value through profit or loss		**4,840**	6,344
Cash and cash equivalents		**104,303**	127,377
		249,220	278,868
Total assets		**392,223**	418,840
Current liabilities			
Trade and other payables	*17*	**106,880**	106,951
Finance lease payables	*18*	**4,448**	5,249
Employee benefits		**3,354**	3,354
Promissory note	*19*	**42,535**	–
Current tax liabilities		**16,280**	15,278
		173,497	130,832

	Notes	As at 30 September 2016 (Unaudited) HK$'000	As at 31 March 2016 (Audited) HK$'000
Net current assets		**75,723**	148,036
Total assets less current liabilities		**218,726**	288,008
Non-current liabilities			
Finance lease payables	*18*	**2,680**	4,197
Promissory note	*19*	**–**	40,995
Convertible notes	*20*	**223,954**	211,482
Deferred tax liabilities		**23,537**	26,703
		250,171	283,377
Total liabilities		**423,668**	414,209
Net (liabilities)/assets		**(31,445)**	4,631
Capital and reserves			
Share capital	*21*	**4,055**	4,055
Reserves		**(35,500)**	576
Total Equity		**(31,445)**	4,631

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 September 2016

	Share capital *HK$'000*	Share premium* *HK$'000*	Convertible notes equity reserves* *HK$'000*	Foreign currency translation reserves* *HK$'000*	Capital reserves* *HK$'000*	Other reserves* *HK$'000*	Accumulated losses* *HK$'000*	Total equity *HK$'000*
As at 1 April 2016	**4,055**	**1,238,195**	**62,631**	**(1,235)**	**2,758**	**9,868**	**(1,311,641)**	**4,631**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(35,276)**	**(35,276)**
Other comprehensive loss for the period:								
Items that may be classified subsequently to profit or loss:								
Exchange differences on translating foreign operations	**–**	**–**	**–**	**(800)**	**–**	**–**	**–**	**(800)**
Total comprehensive loss for the period	**–**	**–**	**–**	**(800)**	**–**	**–**	**(35,276)**	**(36,076)**
As at 30 September 2016 (unaudited)	**4,055**	**1,238,195**	**62,631**	**(2,035)**	**2,758**	**9,868**	**(1,346,917)**	**(31,445)**
As at 1 April 2015	3,693	1,155,013	67,505	153	–	9,868	(1,265,198)	(28,966)
Loss for the period	–	–	–	–	–	–	(33,471)	(33,471)
Other comprehensive loss for the period:								
Items that may be classified subsequently to profit or loss:								
Exchange differences on translating foreign operations	–	–	–	(973)	–	–	–	(973)
Total comprehensive loss for the period	–	–	–	(973)	–	–	(33,471)	(34,444)
Issue of shares pursuant to placing	260	64,740	–	–	–	–	–	65,000
Transaction costs attributable to issue of ordinary shares pursuant to placing	–	(1,655)	–	–	–	–	–	(1,655)
Issue of shares pursuant to conversion of convertible notes	102	20,097	(4,874)	–	–	–	–	15,325
Capital contribution from a shareholder	–	–	–	–	2,758	–	–	2,758
As at 30 September 2015 (unaudited)	4,055	1,238,195	62,631	(820)	2,758	9,868	(1,298,669)	18,018

* The aggregate amount of these balances of approximately HK$35,500,000 in deficit (31 March 2016: approximately HK$576,000 in surplus) 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 2016

	Six months ended 30 September	
	2016	2015
	HK$'000	*HK$'000*
Net cash generated from operating activities	**48**	9,508
Investing activities		
Purchase of property, plant and equipment	**(21,704)**	(5,620)
Other cash flows arising from investing activities	**1,480**	629
Net cash used in investing activities	**(20,224)**	(4,991)
Financing activities		
Proceeds from placing of ordinary shares	**–**	65,000
Transaction costs attributable to issue of ordinary shares pursuant to placing	**–**	(1,655)
Other cash flows arising from financing activities	**(2,926)**	(2,858)
Net cash (used in)/generated from financing activities	**(2,926)**	60,487
Net (decrease)/increase in cash and cash equivalents	**(23,102)**	65,004
Cash and cash equivalents at the beginning of the period	**127,377**	56,188
Effects of foreign exchange rate changes	**28**	(94)
Cash and cash equivalents at the end of the period	**104,303**	121,098
Analysis of cash and cash equivalents		
Cash at banks	**104,303**	121,098

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

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 Suites 2708-2710, Dah Sing Financial Centre, 108 Gloucester 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. 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 PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2016 (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, 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 the 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 2016. The Group has adopted new or revised standards, amendments to standards and interpretation of Hong Kong Financial Reporting Standards which are effective for accounting period commencing on or after 1 April 2016. 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 except for certain financial instruments that are measured at fair values at the end of each reporting period and are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

3. REVENUE

Revenue recognised during the three months and six months ended 30 September 2016 and 2015 were as follows:

	Six months ended 30 September		**Three months ended 30 September**	
	2016	2015	**2016**	2015
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Construction works	**218,918**	161,804	**98,712**	86,269
Advertising income	**6,475**	4,086	**3,351**	2,040
	225,393	165,890	**102,063**	88,309

4. OTHER INCOME

Other income recognised during the three months and six months ended 30 September 2016 and 2015 were as follows:

	Six months ended 30 September		**Three months ended 30 September**	
	2016	2015	**2016**	2015
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Interest income	**284**	260	**210**	180
Sundry income	**676**	488	**162**	440
	960	748	**372**	620

5. OTHER GAINS AND LOSSES

Other gains and losses recognised during the three months and six months ended 30 September 2016 and 2015 were as follows:

	Six months ended 30 September		**Three months ended 30 September**	
	2016	2015	**2016**	2015
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Exchange gain, net	**828**	879	**191**	998
Net gains on disposal of property, plant and equipment	**1,134**	983	**314**	418
	1,962	1,862	**505**	1,416

6. 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 engineering services – provision of waterworks engineering services, road works and 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 large outdoor display screens in the PRC.

Each of these operating segments is managed separately as each of the product and service line 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.

For the six months ended 30 September 2016

	Provision of waterworks engineering services (Unaudited) *HK$'000*	Television broadcasting business (Unaudited) *HK$'000*	Large outdoor display screen advertisement business (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Revenue from external customers	**218,918**	**6,442**	**33**	**225,393**
Other income and gains	**1,262**	**–**	**1,381**	**2,643**
Reportable segment revenue	**220,180**	**6,442**	**1,414**	**228,036**
Reportable segment results	**(2,218)**	**(8,442)**	**(1,728)**	**(12,388)**
Unallocated corporate income				**284**
Unallocated corporate expenses				**(6,998)**
Finance costs				**(18,019)**
Loss before income tax				**(37,121)**

For the six months ended 30 September 2015

	Provision of waterworks engineering services (Unaudited) *HK$'000*	Television broadcasting business (Unaudited) *HK$'000*	Large outdoor display screen advertisement business (Unaudited) *HK$'000*	Elimination (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Revenue from external customers	161,804	3,277	809	–	165,890
Inter-segment sales	–	1,067	–	(1,067)	–
Other income and gains	1,066	3	–	–	1,069
Reportable segment revenue	162,870	4,347	809	(1,067)	166,959
Reportable segment results	261	(12,171)	(931)		(12,841)
Unallocated corporate income					759
Unallocated corporate expenses					(8,852)
Finance costs					(16,495)
Loss before income tax					(37,429)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the six months ended 30 September 2016.

Segment profit/(loss) represents the profit earned/loss incurred by each segment without allocation of central administration costs, interest income, finance costs, changes in fair value of financial assets at fair value through profit or loss and income tax expenses. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

As at 30 September 2016 (unaudited)

	Provision of waterworks engineering services *HK$'000*	**Television broadcasting business** *HK$'000*	**Large outdoor display screen advertisement business** *HK$'000*	**Total** *HK$'000*
Segment assets	**175,438**	**96,068**	**7,760**	**279,266**
Unallocated				**112,957**
Consolidated assets				**392,223**
Segment liabilities	**70,168**	**14,928**	**642**	**85,738**
Unallocated				**337,930**
Consolidated liabilities				**423,668**

As at 31 March 2016 (audited)

	Provision of waterworks engineering services *HK$'000*	Television broadcasting business *HK$'000*	Large outdoor display screen advertisement business *HK$'000*	Total *HK$'000*
Segment assets	168,671	101,774	10,615	281,060
Unallocated				137,780
Consolidated assets				418,840
Segment liabilities	66,139	20,452	2,342	88,933
Unallocated				325,276
Consolidated liabilities				414,209

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than financial assets at fair value through profit or loss, cash and cash equivalents, current tax recoverable and assets for corporate use. Goodwill is allocated to segment of television broadcasting business; and

- all liabilities are allocated to operating segments other than bank overdraft, convertible notes, current and deferred tax liabilities, finance lease payables and promissory note.

Information about major customers

During the six months ended 30 September 2016, included in revenue arising from provision of waterworks engineering services of approximately HK$218,918,000 (2015: approximately HK$161,804,000) are revenue generated from three (2015: three) customers amounting to approximately HK$200,320,000 (2015: approximately HK$149,994,000). 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 2016 and 2015.

Revenue from major customers is as follows:

	Six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Customer A	**118,572**	98,635
Customer B	**42,417**	19,863
Customer C *(note)*	**–**	31,496
Customer D	**39,331**	–
	200,320	149,994

Note:

Customer C is no longer a major customer with revenue accounting for over 10% of the Group's total revenue for the six months ended 30 September 2016.

7. LOSS FROM OPERATIONS

Loss from operations is arrived at after charging the following:

	Six months ended 30 September		Three months ended 30 September	
	2016	2015	**2016**	2015
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amortisation of intangible assets (included in amortisation expenses)	**9,183**	11,010	**4,617**	5,535
Amortisation of film rights (included in amortisation expenses)	**947**	872	**594**	583
Contract costs recognised as expense	**217,240**	155,885	**102,926**	83,126
Depreciation of property, plant and equipment	**8,937**	8,869	**4,597**	4,494
Staff costs *(note 8)*	**48,503**	39,061	**24,448**	21,883

8. STAFF COSTS

	Six months ended 30 September		Three months ended 30 September	
	2016	2015	**2016**	2015
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Staff costs (including Directors' remuneration) comprise:				
Wages, salaries and other benefits	**46,954**	37,665	**23,791**	21,223
Contribution to defined contribution retirement plan	**1,549**	1,396	**657**	660
	48,503	39,061	**24,448**	21,883

9. FINANCE COSTS

	Six months ended 30 September		Three months ended 30 September	
	2016	2015	**2016**	2015
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Interests on:				
Finance leases payables	**152**	182	**71**	88
Bank overdraft wholly repayable within five years	**–**	65	**–**	41
Promissory note	**1,540**	1,431	**781**	726
Convertible notes	**16,327**	14,817	**8,208**	7,001
	18,019	16,495	**9,060**	7,856

10. INCOME TAX

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

	Six months ended 30 September		Three months ended 30 September	
	2016	2015	**2016**	2015
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current tax – Hong Kong profits tax – current period	**636**	417	**312**	151
Current tax – PRC Enterprise Income tax – current period	**685**	–	**290**	–
Current tax – Macau Complementary Tax – overprovision in prior years	**–**	(34)	**–**	–
Deferred tax – current period	**(3,166)**	(4,341)	**(1,644)**	(2,249)
Income tax	**(1,845)**	(3,958)	**(1,042)**	(2,098)

Hong Kong profits tax is calculated at 16.5% (2015: 16.5%) on the estimated assessable profits during each of the three months and six months ended 30 September 2016 and 2015.

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 Complementary 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 2016 and 2015.

The provision for PRC Enterprise Income tax is calculated on the estimated assessable profits of the subsidiary incorporated in the PRC at 15% for each of three months and six months ended 30 September 2016. No provision for PRC Enterprise Income tax had been made as the subsidiary incorporated in the PRC had no assessable profits arising in the PRC during each of three months and six months ended 30 September 2015.

11. DIVIDENDS

The Board does not recommend the payment of any dividend for each of the three months and six months ended 30 September 2016 respectively (2015: nil).

12. 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 2016 is based on the unaudited consolidated loss of approximately HK$22,425,000 and approximately HK$35,276,000 attributable to owners of the Company for each of the three months and six months ended 30 September 2016 respectively (three months and six months ended 30 September 2015: approximately HK$15,697,000 and approximately HK$33,471,000 respectively) and the weighted average number of 4,055,349,947 Shares and 4,055,349,947 Shares in issue for the three months and six months ended 30 September 2016 respectively (weighted average number of Shares in issue for the three months and six months ended 30 September 2015: 3,902,696,885 Shares and 3,798,575,107 Shares respectively) as if they had been in issue throughout the periods.

Diluted loss per Share for the three months and six months ended 30 September 2016 and 2015 are not presented as the potential ordinary shares had an anti-dilutive effect on the basic loss per Share for the three months and six months ended 30 September 2016 and 2015.

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2016, the Group acquired items of property, plant and equipment with aggregate cost of approximately HK$22,160,000 (six months ended 30 September 2015: approximately HK$7,250,000). During the six months ended 30 September 2016, items of property, plant and equipment with carrying value of approximately HK$1,009,000 were disposed of (six months ended 30 September 2015: approximately HK$259,000).

14. INTANGIBLE ASSETS

	As at 30 September 2016 (Unaudited) *HK$'000*	As at 31 March 2016 (Audited) *HK$'000*
Cost:		
At 1 April 2015, 31 March 2016, 1 April 2016 and 30 September 2016	**567,000**	567,000
Accumulated amortisation and impairment:		
At beginning of period/year	**467,690**	425,919
Amortisation expenses for the period/year	**9,183**	22,020
Impairment loss recognised for the period/year	**–**	19,751
At end of period/year	**476,873**	467,690
Carrying amount at end of period/year	**90,127**	99,310

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

15. TRADE AND OTHER RECEIVABLES

	As at 30 September 2016 (Unaudited) *HK$'000*	As at 31 March 2016 (Audited) *HK$'000*
Trade receivables *(note (i) & (iii))*	**21,456**	62,230
Allowance for doubtful debts	**(2,238)**	(2,238)
	19,218	59,992
Retention receivables *(note (ii) & (iii))*	**13,401**	12,356
Other receivables and prepayments *(note (iv))*	**50,964**	39,858
Amounts due from customers for contract works *(note 16)*	**34,900**	–
Deposits	**4,510**	4,684
	122,993	116,890

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. 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 based on invoice date as at the end of the reporting period:

	As at 30 September 2016 (Unaudited) ***HK$'000***	As at 31 March 2016 (Audited) *HK$'000*
Current or less than 1 month	**18,899**	59,330
1 to 3 months	**46**	23
More than 3 months but less than 12 months	**83**	639
More than 12 months	**190**	–
	19,218	59,992

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.

Trade receivables disclosed above include amounts (see below for ageing analysis) which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

Ageing of receivables that are past due but not impaired

	As at 30 September 2016 (Unaudited) ***HK$'000***	As at 31 March 2016 (Audited) *HK$'000*
Overdue by:		
1-30 days	**23**	–
30-60 days	**23**	23
Over 90 days	**313**	639
	359	662

Movements in the allowance for doubtful debts

	As at 30 September 2016 (Unaudited) ***HK$'000***	As at 31 March 2016 (Audited) *HK$'000*
Balance at the beginning of the period/year	**2,238**	–
Impairment loss recognised on trade receivables	**–**	2,238
Balance at the end of the period/year	**2,238**	2,238

Impairment loss of approximately HK$2,238,000 was recognised in the consolidated statement of profit or loss and other comprehensive income during the year ended 31 March 2016 as the Directors consider that the outstanding amount were not recoverable.

(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 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.

16. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORKS

	As at 30 September 2016 (Unaudited) ***HK$'000***	As at 31 March 2016 (Audited) *HK$'000*
Contracts in progress at the end of the reporting period:		
Contract costs incurred to date plus recognised profits less recognised loss	**1,670,299**	1,370,383
Less: Progress billings	**(1,635,399)**	(1,370,383)
	34,900	–

17. TRADE AND OTHER PAYABLES

	As at 30 September 2016 (Unaudited)	As at 31 March 2016 (Audited)
	HK$'000	*HK$'000*
Trade payables	**35,838**	33,540
Retention money payables	**19,837**	17,197
Amount due to a shareholder *(note (i))*	**10,337**	9,837
Deferred revenue	**2,569**	8,409
Interest payables	**24,099**	20,243
Amount due to a related party *(note (ii))*	**2,009**	2,009
Other payables and accruals	**12,191**	15,716
	106,880	106,951

Notes:

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

(ii) 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 2016 (Unaudited)	As at 31 March 2016 (Audited)
	HK$'000	*HK$'000*
Current or less than 1 month	**32,072**	33,212
1 to 3 months	**3,347**	102
More than 3 months but less than 12 months	**110**	2
More than 12 months	**309**	224
	35,838	33,540

18. 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. The lease terms ranged from one to three years. No arrangements have been entered into for contingent rental payments.

Future lease payments are due as follows:

	As at 30 September 2016		
	Minimum lease payments	**Future finance charges**	**Present Value of minimum lease payments**
	HK$'000	***HK$'000***	***HK$'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
Within one year	**4,622**	**174**	**4,448**
In more than one year and not more than five years	**2,745**	**65**	**2,680**
	7,367	**239**	**7,128**
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(4,448)**
Amount due for settlement after 12 months			**2,680**

	As at 31 March 2016		
	Minimum lease payments	Future finance charges	Present Value of minimum lease payments
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)
Within one year	5,500	251	5,249
In more than one year and not more than five years	4,312	115	4,197
	9,812	366	9,446
Less: Amount due for settlement within 12 months (shown under current liabilities)			(5,249)
Amount due for settlement after 12 months			4,197

19. PROMISSORY NOTE

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

On 11 August 2014 (the "Renewal Date"), Profit Station has entered into an extension agreement with the noteholder of the promissory note pursuant to which the maturity date of the promissory note was extended from 11 August 2014 to 11 August 2017 and the extended promissory note will be non-interest bearing with effect from 11 August 2014 till 11 August 2017. Except the abovementioned, other terms and conditions of the promissory note remain unchanged.

	As at 30 September 2016 (Unaudited) ***HK$'000***	As at 31 March 2016 (Audited) *HK$'000*
At the beginning of the reporting period/year	**40,995**	38,080
Interest charged at an effective interest rate of 7.423%	**1,540**	2,915
Balance at the end of the reporting period/year	**42,535**	40,995

Upon the extension, the fair value of the liability component of the extended promissory note was reassessed and calculated using an equivalent market interest rate for an equivalent instrument at the Renewal Date. The fair value of the liability component of the extended promissory note at the Renewal Date amounted to approximately HK$36,332,000. The fair value is calculated using discounted cash flow method at a rate of 7.423%.

20. CONVERTIBLE NOTES

On 9 December 2011, the Company issued convertible notes with the 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 approximately HK$0.196 per share. Conversion might occur at any time between 9 December 2011 and 8 December 2014. If the notes have not been converted, the Company would redeem on 9 December 2014 at the outstanding principal amount. Interest of 5% per annum would be paid annually until the notes are converted or redeemed.

On 9 December 2014, the Company entered into the supplemental deed with China Xinhua NNC pursuant to which the Company and China Xinhua NNC agreed to amend certain terms and conditions of the convertible notes, where (i) the maturity date of the convertible notes will be extended for 3 years and the conversion period will accordingly be extended for 3 years to 9 December 2017; and (ii) the interest rate of the convertible notes will be amended from 5% per annum to 3% per annum for the extended period, being from 9 December 2014 to 9 December 2017.

The convertible notes contain two components, liability and equity components. The equity component is presented in equity heading "convertible notes equity reserves". The effective interest rate of the liability component is 15.98% from 9 December 2014 to 9 December 2017.

	As at 30 September 2016 (Unaudited) ***HK$'000***	As at 31 March 2016 (Audited) *HK$'000*
Equity component		
At the begining of the reporting period/year	**62,631**	67,505
Conversion of convertible notes	**–**	(4,874)
Balance at the end of the reporting period/year	**62,631**	62,631
Liability component		
At the begining of the reporting period/year	**211,482**	203,326
Interest charged calculated at an effective interest rate of 15.98%	**16,327**	30,908
Interest payable	**(3,855)**	(7,427)
Conversion of convertible notes	**–**	(15,325)
Balance at the end of the reporting period/year	**223,954**	211,482

21. SHARE CAPITAL

	Number of Shares	Nominal value *HK$'000*
Authorised:		
As at 1 April 2016 and 30 September 2016 (unaudited)	500,000,000,000	500,000
Issued and fully paid:		
As at 1 April 2016 and 30 September 2016 (Unaudited)	4,055,349,947	4,055

22. OPERATING LEASE COMMITMENTS

The Group as leasee

	Six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Minimum lease payments paid under operating leases during the period	**7,280**	8,514

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 2016	As at 31 March 2016
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Within one year	**13,906**	14,349
In the second to fifth years inclusive	**31,949**	37,543
Over five years	**–**	1,250
	45,855	53,142

Operating leases related to office property, certain office equipment, television broadcasting right, the use of satellite capacity and broadcasting services with lease term between 1 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.

23. CAPITAL COMMITMENTS

	As at 30 September 2016 (Unaudited) ***HK$'000***	As at 31 March 2016 (Audited) *HK$'000*
Commitments for the acquisition of property, plant and equipment	**–**	675

24. RELATED PARTY TRANSACTIONS

During the reporting period, 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**	
		2016 (Unaudited) ***HK$'000***	2015 (Unaudited) *HK$'000*	**2016 (Unaudited)** ***HK$'000***	2015 (Unaudited) *HK$'000*
A company that Chia Kar Hin, Eric John ("Mr. Chia"), an executive Director, had material interest	Service fee for announcement posting agreement	5	5	3	3
	Company secretarial fees paid	–	23	–	11
A company that the spouse of Mr. Chia had material interest	Legal and professional fee paid	36	–	12	–
China Xinhua NNC	Annual fee for television broadcasting right *(note (i))*	500	500	250	250
	Accrued interests on convertible notes *(note (ii))*	3,855	3,866	1,938	1,944
中國新華新聞電視網有限公司 ("CNC China")	Advertising income *(note (iii))*	–	2,023	–	1,393

Notes:

(i) Pursuant to the agreement 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.

(ii) During the six months ended 30 September 2016, the convertible notes interest payable to China Xinhua NNC was amounted to approximately HK$3,855,000 (six months ended 30 September 2015: approximately HK$3,866,000).

(iii) 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. 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. The CRU Framework Agreement has been terminated on 31 March 2016.

One of the Directors, Mr. Kan Kwok Cheung, who is also a shareholder of the Company, has provided personal guarantee to the lessor in respect of the Group's obligations under finance lease as at the end of the reporting period as disclosed in note 18.

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.

25. 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.

- 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 Interim Financial Statements approximate to their fair values.

Fair value measurements recognised in the condensed 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).

	As at 30 September 2016 (Unaudited)			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Financial assets at fair value through profit or loss	**4,840**	**–**	**–**	**4,840**

	As at 31 March 2016 (Audited)			
	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at fair value through profit or loss	6,344	–	–	6,344

26. EVENTS AFTER THE REPORTING DATE

On 2 February 2016, the Group entered into a sale and purchase agreement with independent third parties pursuant to which a wholly-owned subsidiary of the Company will acquire 100% equity interest in Shenzhen City Century Culture Creative Limited*（深圳市世紀文化創意有限公司）at a total consideration of HK$600,000,000. The consideration will be partly settled by issue of promissory note and partly by the issue and allotment of consideration shares and partly by cash. The primary business of Shenzhen City Century Culture Creative Company and its subsidiary is the operation and management of Shenzhen City Culture Creative Park*（深圳市文化創意園）in return for rental income including management fee. The proposed acquisition has not yet been completed as at reporting date. Further details of the proposed acquisition are set out in the announcements of the company dated 3 June 2016, 27 June 2016, 20 July 2016, 29 July 2016, 15 September 2016 and 20 October 2016 and the circular of the Company dated 28 October 2016 respectively.

27. COMPARATIVE FINANCIAL INFORMATION

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

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 advertising business in PRC. During the six months ended 30 September 2016 (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 and large outdoor display screen advertising business.

Provision of waterworks engineering services

During the Period, the Group has been undertaking three main contracts and eight subcontracts. Among the eleven contracts, four are related to provision of waterworks engineering services and the remaining contracts are related to provision of drainage services and site formation services. Details of the contracts undertaken are set out below:

	Contract number	Particulars of contract
Main contracts	8/WSD/11	Construction of Pak Shek Kok Fresh Water Service Reservoir Extension
	3/WSD/13	Mainlying near She Shan Tsuen, Tai Po
	DC/2013/09	Advance Works for Shek Wu Hui Sewage Treatment Works – Further Expansion Phase 1A and Sewerage Works at Ping Che Road
Subcontracts	8/WSD/10	Replacement and rehabilitation of water mains, stage 4 phase 1 – mains in Tuen Mun, Yuen Long, North District and Tai Po
	DC/2012/04	Sewerage in Kau Lung Hang San Wai, Kau Lung Hang Lo Wai and Tai Hang
	DC/2012/07	Lam Tsuen Valley Sewerage — village sewerage, stage 2, phase 1
	DC/2012/08	Lam Tsuen Valley Sewerage — village sewerage, stage 2, phase 2
	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
	CV/2015/03	Site formation and infrastructural works near Tong Hang Road and Tsz Tin Road in Area 54, Tuen Mun
	810B	West Kowloon Terminus Station South, Contract 810B
	Q044763	Elevated Road along Lohas Park Road and the pedestrian footbridge FB1

Among the above eleven contracts, a subcontract (contract numbered Q044763) was newly awarded during the Period.

During the Period, the two contracts with contracts numbered CV/2015/03 and 5/WSD/13 were the main contributors to the Group's revenue, which generated approximately HK$93.6 million and HK$50.0 million, constituting approximately 41.5% and 22.2% of the Group's total revenue respectively.

Television broadcasting business

The Group has developed a broadcasting network of television channels with relatively extensive scale. Currently, it is broadcasting the television programmes relating to information contents from China Xinhua News Network Channel and China Xinhua News Network World Channel (collectively the "CNC Channels") in different locations in the Asia-Pacific region (excluding the PRC). As part of the marketing strategies, the Group held the 2016 "Bauhinia Award" Hospitable Hong Kong • Remarkable Business Contribution presentation ceremony in August 2016, which attracted great attention from various media and the society and thus further enhanced the brand recognition and influence of the Group in the television media industry. During the Period, the Group entered into a strategic cooperation agreement with Guangxi Television*（廣西電視台）so as to boost up a comprehensive business development of television broadcasting business jointly, including increasing of broadcasting coverage of the Group's television features in the PRC market through channel of Guangxi Television and enrichment of contents of the CNC Channels. The Group has entered into a strategic cooperation agreement with Tian Mai Ju Yuan (Beijing) Technology Company Limited*（天脈聚源（北京）科技有限公司）so as to jointly develop television e-commerce business. The Directors believe that the recent development can respond to the evolving business environment and meet the changing interests of mass audience by these new platforms.

Large outdoor display screen advertisement business

Amid the continuous intense competition and stringent requirements imposed on the industry, the development pace of large outdoor display screen advertisement business is stagnant as compared with last year. In face of the current difficult operating environment, the Group will continue to make efforts to broaden its customer base, strengthen cost and quality control and enhance marketing and promotion activities to further uplift the image and competitiveness of the business segment. Going forward, the Group will remain prudent yet responsive to changing market conditions and execute on market opportunities for any development in order to sustain and improve the profitability in the long run.

In order to diversify the business segments, broaden the sources of income and enhance the value for the shareholders of the Company, the Group will keep on exploring different opportunities for the growth and development of the Group and continue to seek new investment opportunities in Hong Kong and the PRC from time to time.

Financial Review

Revenue

For the Period, the Group reported a revenue of approximately HK$225.4 million (2015: approximately HK$165.9 million), representing an increase of approximately 35.9% as compared with that for the same period of the previous year. The revenue derived from provision of waterworks engineering services and television broadcasting business as well as large outdoor display screen advertisement business constituted approximately 97.1% and 2.9% of the Group's total revenue respectively. The increase in revenue was mainly due to increase in work from civil engineering projects with contract number CV/2015/03 and 5/WSD/13. The Group derived aggregate advertising revenue of approximately HK$6.5 million (2015: approximately HK$4.1 million) from television broadcasting business and 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 as a subcontractor. The subcontracting revenue amounted to approximately HK$120.2 million (2015: approximately HK$110.4 million), representing approximately 53.3% (2015: approximately 66.5%) of the total revenue for the Period. On the other hand, the aggregate revenue generated from the undertaking of waterworks contracts in the capacity of a main contractor and jointly controlled operator amounted to approximately HK$98.7 million (2015: approximately HK$51.4 million), representing approximately 43.8% (2015: approximately 31.0%) of the total revenue for the Period.

Cost of services

The Group's cost of services for the Period increased by approximately 37.8% to approximately HK$222.6 million (2015: approximately HK$161.5 million) as compared with that for the same period of the previous year. The Group's cost of services mainly includes costs of construction services, costs of television broadcasting business and direct costs attributable to large outdoor display screen advertisement business. Costs of construction services mainly comprise raw materials, direct labour and subcontracting fee for services provided by the subcontractors. Costs of television broadcasting business mainly comprise transmission costs and broadcasting fee. Transmission costs comprise satellite transmission fee and carriage fee payable to satellite operators while broadcasting fee comprises annual fee payable to media broadcasting providers and China Xinhua NNC. Direct costs attributable to large outdoor display screen advertisement business mainly comprise depreciation charges of LED display screens and control room.

Gross profit

The gross profit of the Group for the Period decreased by approximately 36.7% to approximately HK$2.8 million (2015: approximately HK$4.4 million) as compared with that for the same period of the previous year. The gross profit margin of the Group decreased to approximately 1.2% for the Period (2015: approximately 2.6%). The decrease in gross profit and gross profit margin was largely due to large portion of revenue and gross margin derived from certain projects recognised at the early stage in the prior years.

Other income

The Group's other income for the Period increased by 28.3% to approximately HK$1.0 million (2015: approximately HK$0.7 million) as compared with that for the same period of the previous year. The increase in other income was mainly due to the written-back of certain retention payables of provision of waterworks engineering business for the Period.

Other gains and losses

The Group's other gains and losses for the Period increased by approximately 5.4% to approximately HK$2.0 million (2015: approximately HK$1.9 million) as compared with that for the same period of the previous year. Other gains and losses mainly consisted of net gains on disposal of property, plant and equipment for the Period.

Amortisation expenses

The Group's amortisation expenses for the Period decreased by approximately 14.7% to approximately HK$10.1 million (2015: approximately HK$11.9 million) as compared with that for the same period of the previous year. The decrease in amortisation expenses was mainly due to the impairment loss of television broadcasting right recognised for the year ended 31 March 2016 and thus caused a reduction in carrying amount of television broadcasting right.

Selling and distribution expenses

The Group's selling and distribution expenses for the Period amounted to approximately HK$0.3 million (2015: approximately HK$52,000). The selling and distribution expenses mainly consisted of advertising expenses for the television broadcasting business.

Administrative expenses

The Group's administrative expenses for the Period decreased by approximately 20.3% to approximately HK$12.8 million (2015: approximately HK$16.1 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 decrease in administrative expenses was mainly due to reduction of rental expense of the headquarter office.

Finance costs

The Group's finance costs for the Period increased by approximately 9.2% to approximately HK$18.0 million (2015: approximately HK$16.5 million) as compared with that for the same period of the previous year. The finance costs mainly consisted of interest expenses for the promissory note and convertible notes.

Net Loss

The net loss attributable to owners of the Company for the Period increased by 5.4% to approximately HK$35.3 million (2015: approximately HK$33.5 million) as compared with that for the same period of the previous year. The increase in net loss was mainly due to decrease in gross profit during the Period.

Loss per Share

The basic loss per Share was approximately HK0.87 cent (2015: approximately HK0.88 cent).

Prospects

During the Period, the Group's provision of waterworks engineering services remains the major revenue contributor to Group. The Group will seek to maintain steady development for provision of waterworks engineering services business, and at the same time, drive growth in both revenue and profit in other core businesses. The Group will strive to maximise the synergistic effect of different business segments through integration of sale channels of various business segments in different markets. Despite the challenging business environment in Hong Kong and the PRC, the Group remains conservative positive towards the prospect of businesses of the Group in the coming future.

Provision of waterworks engineering services

This business segment is currently operated in tough environment and suffered from rising labour costs and cost of materials as well as other external factors. Following the approval of the pending public works in 2016, the Group anticipates more foundation projects will be launched and the growth of the construction market in Hong Kong will be resumed. The Group believes that the future of construction market and the business of the Group still remains positive. During the Period, the Group has successfully obtained a new subcontract of Elevated Road along Lohas Park Road and the pedestrian footbridge FB1 (contract numbered Q044763) with contract sum of approximately HK$116 million.

With the Group's experienced management team and reputation in the market, the Group is well-positioned to compete against its competitors under such future challenges that are commonly faced by all competitors, and the Group will continue to pursue the business strategies, including further expanding the Group's service scope by application for additional licences, permits or qualifications which may be required and exercising more caution when tendering new construction contracts and continue to selectively undertake new contracts. Despite the vigorous competition in Hong Kong construction industry, the Group is still optimistic to maintain steady growth in net profit and scale of operations due to its long established reputation and proven ability.

Television broadcasting business

With the rapid development of internet and mobile web, the traditional advertising industry is gradually steering towards the internet market. The Group is now taking counter-measures against the shift from traditional television to other new media platforms by introducing television e-commerce business. During the Period, the Group has speeded up the development of television broadcasting business by investing in the television e-ecommerce business which is a new and emerging mode of this segment development. The Group established certain cooperation partnerships with different partners in the PRC so as to jointly develop the television e-commerce business and sales of products on the new platforms. As e-commerce purchases were swift and convenient, and transactions could be made anytime and anywhere, the Directors believe that the development of television e-commerce business would facilitate the further expansion of the television broadcasting business and would step up its collaboration efforts with strategic partners to complement each other's strength and achieve mutually beneficial situations. The Group will stay united, and identify stronger partnerships with strategic partners as a pragmatic and feasible strategy, so as to strengthen the existing television business. Such moves will not only contribute profit to the Group, but also, through using advanced technology to enhance the Group's overall business strategy and create mutually beneficial scenario.

Large outdoor display screen advertisement business

As the current market environment in PRC is still associated with uncertainties, the Group believed that the operating environment will continue to be challenging in this business segment. The Group will continue to exercise a cautious approach in seeking business development. Currently, the Group will seek co-operation from different parties, including but not limited to commercial real estate developers, PRC government authorities and other potential partners in order to speed up the development of this business segment. The Group will closely monitor the progress of the business operation and be determined to take necessary actions.

Looking forward, the Group will exercise due caution to face the challenges ahead and seek for a steady growth. The Group will leverage on the Group's well established international network and businesses in order to diversify effort towards the new, developing and potential businesses. Besides, the Group will review from time to time on potential business opportunities and investment, so as to diversify business growth and revenue stream. To conclude, the Group is cautiously optimistic about its prospects and with the Group's experienced management team, Group is well positioned to compete against its competitors and meet the challenges ahead.

Apart from reinforcing its existing businesses, the Group will continue to place its efforts searching for suitable investment opportunities which strategically fit into its diversification moves and generate a steady source of income. On 2 February 2016, the Group entered into a sale and purchase agreement with independent third parties pursuant to which the Group will acquire the entire issued share capital of Shenzhen City Century Culture Creative Limited*（深圳市世紀文化創意有限公司）at a consideration of HK$600,000,000. The primary business of Shenzhen City Century Culture Creative Limited and its subsidiary (collectively the "Target Group") is the operation and management of Shenzhen City Culture Creative Park*（深圳市文化創意園）in return for rental income including management fee. Further details of the proposed acquisition were set out in the announcements dated 3 June 2016, 27 June 2016, 20 July 2016, 15 September 2016 and 20 October 2016 and the circular dated 28 October 2016 respectively. The Directors consider that the acquisition represents a valuable business opportunity for the Group to invest in the cultural-related industry and will broaden the Group's income and asset base. In particular, the Board believes that the existing television broadcasting business of the Group and the cultural-related business of the Target Group will complement with each other and there will be synergies between them.

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 owners of the Company amounted to approximately HK$31.4 million in deficit as at 30 September 2016 (31 March 2016: approximately HK$4.6 million in surplus). The change from surplus to deficit was mainly resulted from net loss for the Period.

Liquidity and Financial Resources

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

As at 30 September 2016, the Group had net current assets of approximately HK$75.7 million (31 March 2016: approximately HK$148.0 million), including cash balance of approximately HK$104.3 million (31 March 2016: approximately HK$127.4 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 1.44 as at 30 September 2016 (31 March 2016: approximately 2.13). The decrease in current ratio were primarily due to the fact that the promissory note will be matured on 11 August 2017 and thus reclassified as current liabilities.

Gearing Ratio

The gearing ratio, which is based on the amount of total bank overdraft, promissory note and convertible notes and finance lease payables and advance received from customers divided by total assets, was approximately 69.8% as at 30 September 2016 (31 March 2016: approximately 62.5%). The increase in gearing ratio was resulted from decrease in total assets.

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 banks.

Capital Commitment

As at 30 September 2016, the Group did not have any outstanding commitment in respect of acquisition of property, plant and equipment. As at 31 March 2016, the Group had an outstanding commitment of approximately HK$0.7 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 values of approximately HK$12.2 million (31 March 2016: approximately HK$14.4 million) was held under finance lease as at 30 September 2016. As at 30 September 2016, the Group pledged its machinery and motor vehicles with net book values of nil (31 March 2016: approximately HK$89,000) and nil (31 March 2016: approximately HK$12,000) 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 2016, the Group did not have any material contingent liabilities (31 March 2016: Nil).

Dividends

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

Information on Employees

As at 30 September 2016, the Group had 338 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$48.5 million (2015: approximately HK$39.1 million), representing an increase of approximately 24.2% over that for the previous year.

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

Except for investment in subsidiaries, 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

On 2 February 2016, the Group entered into a sale and purchase agreement with independent third parties pursuant to which a wholly-owned subsidiary of the Company will acquire 100% equity interest in Shenzhen City Century Culture Creative Limited*（深圳市世紀文化創意有限公司）at a total consideration of HK$600,000,000. The consideration will be partly settled by issue of promissory note and partly by the issue and allotment of consideration shares and partly by cash. The primary business of Shenzhen City Culture Creative Century Company and its subsidiary is the operation and management of Shenzhen City Culture Creative Park*（深圳市文化創意園）in return for rental income including management fee. The proposed acquisition has not yet been completed as at the reporting date. Further details of the proposed acquisition were set out in the announcements of the company dated 3 June 2016, 27 June 2016, 20 July 2016, 29 July 2016, 15 September 2016 and 20 October 2016 and circular dated 28 October 2016 respectively.

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 2016, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Cap. 571, Laws of Hong Kong) ("SFO")) which have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO); or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

Long position in the Shares:

Name	Capacity/Nature of interest	Number of Shares held	Percentage of aggregate interests to total issued share capital
Mr. Kan Kwok Cheung ("Mr. Kan") *(Note)*	Interest in controlled corporation	69,000,000	1.70%
Mr. Chia	Beneficial owner	14,600,000	0.36%

Note: Mr. Kan is the sole beneficial owner of Shunleetat (BVI) Limited ("Shunleetat"), which was interested in 69,000,000 Shares. Under the SFO, Mr. Kan is deemed to be interested in all the Shares held by Shunleetat.

Saved as disclosed above, as at 30 September 2016, 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 2016, the following persons/entities (other than the Directors or chief executive of the Company) had, or are deemed to have, interests or short positions in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who/which were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or who/which were recorded in the register required to be kept by the Company under Section 336 of the SFO with details as follows:

Long position in the Shares:

Name	Number of Shares held		Number of underlying Shares under convertible notes (Note a)			
	Beneficial owner	Interest in controlled corporation	Beneficial owner	Interest in controlled corporation	Total interests	Percentage of aggregate interests to total issued share capital
China Xinhua NNC	1,188,621,377 *(Note b)*	–	1,311,378,623 *(Note b)*	–	2,500,000,000	61.65%
CNC China	–	1,188,621,377 *(Note b)*	–	1,311,378,623 *(Note b)*	2,500,000,000	61.65%

Notes:

(a) Details of the convertible notes were set out in the circulars of the Company dated 19 November 2011 and 6 January 2015.

(b) China Xinhua NNC is wholly and beneficially owned by CNC China. Accordingly, CNC China is deemed to be interested in the 1,188,621,377 Shares and 1,311,378,623 underlying Shares held by China Xinhua NNC under the SFO.

Saved as disclosed above, as at 30 September 2016, 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 announcement, 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.

CONNECTED TRANSACTIONS

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

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 the 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.

Announcement Posting Agreement

On 3 May 2016 and 6 May 2015, 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 2016 and 1 July 2015 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.

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.

As the annual service fee payable under the Announcement Posting Agreements referred to above is less than HK$1.0 million and none of the percentage ratios, on an annual basis, equals or exceeds 5%, and the Announcement Posting Agreements were entered into in the ordinary and usual course of business of the Group, the transactions under the aforesaid agreements are exempt continuing connected transactions of the Company pursuant to Rule 20.33(3)(c) of the GEM Listing Rules, which are exempt from reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Save as disclosed above, none of the Directors, controlling shareholders and their respective associates has any other conflict of interests with the Group during the Period.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders and enhance the performance of the Group. The Company has applied the principles and code provisions in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 to the GEM Listing Rules. In the opinion of the Board, the Company has complied with the Code during the Period. In the opinion of the Board, the Company has complied with the Code during the Period, except paragraph A.6.7 of the Code. This report further illustrates in detail as to how the Code was applied, inclusive of the considered reasons for any deviation throughout the Period.

Paragraph A.6.7 of the Code requires that independent non-executive directors and non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Two independent non-executive Directors, namely The Hon. Ip Kwok Him, *GBS, JP* and Mr. Wan Chi Keung, Aaron, *BBS, JP* did not attend the annual general meeting of the Company held on 29 July 2016 due to overseas commitment and pre-arranged business engagements. Other Board members, the chairmen of the relevant Board committees and the external auditor of the Company also attended the annual general meeting to inter-face with, and answer questions from the Shareholders.

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 C.3.3 of the Code. The primary duties of the Audit Committee include, among other things, reviewing and supervising the financial reporting process and internal control systems, as well as the overall risk management of the Group, reviewing the financial statements and the quarterly, interim and annual reports of the Group, and reviewing the terms of engagement and scope of audit work of the external auditors.

As at 30 September 2016, the members of the Audit Committee were Mr. Wong Chung Yip, Kenneth, Dr. Li Yong Sheng, The Hon. Ip Kwok Him, *GBS, JP*, Mr. Wan Chi Keung, Aaron, *BBS, JP* and Mr. Jin Hai Tao. Mr. Wong Chung Yip, Kenneth was the chairman of the Audit Committee. The Audit Committee had reviewed the unaudited condensed consolidated results of the Group for the Period and is of the opinion that the preparation of such results complied with the applicable accounting standards and that adequate disclosures have been made.

* *For identification purpose only*

By Order of the Board
CNC Holdings Limited
Li Yuet Tai
Company Secretary

Hong Kong, 10 November 2016

As at the date of this announcement, the Directors are Mr. Zhang Hao[1] (Chairman), Mr. Zou Chen Dong[1] (Vice Chairman and Chief Executive Officer), Mr. Kan Kwok Cheung[1], Mr. Chia Kar Hin, Eric John[1], Dr. Li Yong Sheng[2], The Hon. Ip Kwok Him, GBS, JP[3], Mr. Kwok Man Wai, SBS, IDS, JP[3], Mr. Wan Chi Keung, Aaron, BBS, JP[3], Mr. Jin Hai Tao[3] and Mr. Wong Chung Yip, Kenneth[3].

1 *Executive Director*
2 *Non-executive Director*
3 *Independent non-executive Director*

This announcement will remain on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for at least seven days from the day of its posting and the Company's website at http://www.cnctv.hk.