CMMB Vision Holdings Limited

中國移動多媒體廣播控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 471)

2012 ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. WONG Chau Chi *(Chairman)*
Dr. LIU Hui *(Vice-chairman)*

Non-executive Directors

Mr. CHOU Tsan-Hsiung
Mr. YANG Yi

Independent Non-executive Directors

Mr. WANG Wei-Lin
Mr. LI Shan
Dr. LI Jun

MEMBERS OF AUDIT COMMITTEE

Mr. LI Shan *(Chairman)*
Mr. CHOU Tsan-Hsiung
Dr. LI Jun

MEMBERS OF REMUNERATION COMMITTEE

Mr. WANG Wei-Lin *(Chairman)*
Mr. CHOU Tsan-Hsiung
Mr. LI Shan
Dr. LI Jun

COMPANY SECRETARY

Mr. CHEUNG Kai Cheong Willie FCCA, CPA

AUTHORISED REPRESENTATIVES

Mr. WONG Chau Chi
Mr. CHEUNG Kai Cheong Willie

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISOR AS TO HONG KONG LAW

Orrick, Herrington & Sutcliffe

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL OFFICE IN HONG KONG

Unit 1211, Level 12, Core F, Cyberport 3
100 Cyberport Road, Cyberport
Hong Kong
Tel: +852 2159 3300
Fax: +852 2159 3399
Email: info@cmmbvision.com
Website: www.cmmbvision.com

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House,
24 Shedden Road George Town,
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East,
Wanchai Hong Kong

Stock Code: 471

Chairman's Statement

Dear Shareholders:

2012 sees a steady improvement of the Company's business and a gradual return to operating revenue whereas expenses have been kept low. It has commenced New York broadcasting business, and expects to pick up more clients in the near future. Also, it has taken significant steps to shore up its technology portfolio and mount mobile services. The Company looks forward to a more promising 2013.

I would like to take this opportunity to express my gratitude to the business partners and employees of the Group and the shareholders ("Shareholders") of the Company for their supports. On behalf of the Directors, I would like to express of my sincerity to the Group's staffs for their dedication and contribution to the Group during this financial year.

For and on behalf of the Board

Wong Chau Chi
Chairman

Hong Kong, 26 March 2013

Management Discussion and Analysis

BUSINESS/OPERATION REVIEW

During the year under review, the Company's principal activity is investment holdings whilst its subsidiaries are mainly engaged in provision of CMMB and agency services.

The Company has been pursuing opportunities arising from China's new policy in support of 3-Way Network Convergence (television, telecom and internet) and, in particular, has been focused on developing mobile television and interactive multimedia business based on the CMMB standards. The Company's goal is to develop into a mobile TV multimedia company, providing CMMB-based services, solutions, and innovations in China and in other markets around the world.

FINANCIAL REVIEW

For the financial year ended 31 December 2012, the Group recorded loss for the year of approximately US$10.6 million as compared to profit for the year approximately US$6.0 million for the year ended 31 December 2011. Loss per share was approximately US0.019 cents (2011: Earnings per share approximately US0.017 cents) and net assets per share of the Group was approximately US2.33 cents (2011: approximately US0.03 cents).

Continuing operations

During the year ended 31 December 2012, the Group engaged in CMMB and agency services with revenue of approximately US$266,000 (2011: Nil).

The administrative expenses for the year ended 31 December 2012 increased by approximately 7.1% to approximately US$1.5 million as compared to that of approximately US$1.4 million for the year ended 31 December 2011.

Other expenses mainly represents legal and professional fee and share-based payments expense to the consultants by granting share options of the Company to the consultants during the year. It decreased by approximately 11.1% to approximately US$2.4 million for the year ended 31 December 2012, as compared to that of approximately US$2.7 million for the year ended 31 December 2011.

Other gains and losses represents impairment loss on an intangible asset, change in fair value of financial derivative instruments, loss on fair value change of forward contract, loss on acquisition of intangible assets and impairment loss on trade and other receivables. During the year ended 31 December 2012, impairment loss on an intangible asset, loss on acquisition of intangible assets and change in fair value of financial derivative instruments amounted to approximately US$1.3 million, approximately US$4.9 million and approximately US$129,000 respectively. During the year ended 31 December 2011, loss on fair value change of forward contract and loss on acquisition of intangible assets amounted to US$10.5 million and approximately US$1.1 million, respectively, and reversal of impairment loss amounted to approximately US$214,000 was made for those recognised in previous years.

Finance costs of the Group for the year ended 31 December 2012 amounted to approximately US$198,000, it mainly represents effective interest expense on convertible notes. Finance costs of the Group for the year ended 31 December 2011 was insignificant as the Group has not borne any bank and other borrowings as at 31 December 2011.

Discontinued operations

Profit for the year from discontinued operations mainly represents the gain on deconsolidation of a subsidiary amounted to approximately US$29.5 million for year ended 31 December 2011. The deconsolidated subsidiary is mainly engaged in manufacturing of printed circuit boards. The net results of the discontinued operations (other than gain on deconsolidation of a subsidiary) for the year ended 31 December 2011 was approximately US$7.1 million.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had total equities of approximately US$14.9 million as at 31 December 2012 and approximately US$1.0 million as at 31 December 2011. Current assets amounted to approximately US$2.0 million mainly comprising bank balances and cash of approximately US$0.8 million and other receivables of approximately US$1.2 million. Current liabilities amounted to approximately US$1.8 million, represents other payables only.

As at 31 December 2012, the Group's current ratio was 1.1 (2011: 0.8) and the gearing ratio (a ratio of total loans to total assets) was 13.7% (2011: Nil). Other than convertible notes, the Group did not has any bank and other borrowings as at 31 December 2012 (2011: Nil).

FOREIGN CURRENCY EXCHANGE RISK

Most of the Group's assets, liabilities and transactions are denominated in US$. The Group did not make any other hedging arrangement in the two years ended 31 December 2012.

SEGMENT INFORMATION

As at 31 December 2012, detail segment information of the Group is set out in note 8 to the consolidated financial statements in this annual report.

EMPLOYEE BENEFITS

For the year ended 31 December 2012, average number of employees of the Group was approximately 30 (2011: approximately 100). For the year ended 31 December 2012, the Group's staff costs (including Directors' fees and emoluments) amounted to approximately US$0.3 million (2011: approximately US$0.4 million). The remuneration policy of the Company is reviewed annually and is in line with the prevailing market practice. During the year under review, the Company did not grant any share options to the Directors and employees of the Group under the share option scheme of the Company adopted on 5 July 2005.

MATERIAL ACQUISITIONS AND DISPOSALS AND FUTURE PLANS FOR MATERIAL INVESTMENT

Save as disclosed in note 39(a) to the consolidated financial statements, there are no any other material acquisition or disposals of subsidiaries and associated companies in the year 2012 and near future.

CHARGE ON ASSETS

As at 31 December 2012, neither the Group nor the Company has pledged its assets to secure its borrowings (2011: Nil).

CONTINGENT LIABILITIES

As at 31 December 2012, neither the Group nor the Company has any significant contingent liabilities (2011: Nil).

PROSPECTS

The Group is currently transforming from a printed circuit board maker to a mobile multimedia technology and service provider through a series of restructuring, divestments and acquisitions, which are in their final phases in making the Group a dedicated opera tor in delivering mobile and wireless video and Internet data services.

The Group is developing to be a leading next generation mobile multimedia service provider. It addresses the rapidly growing demand for mobile and wireless video and internet content downloads with a very low cost and efficient solution based on the China-developed CMMB multicast technology. Consumers with untethered CMMB-enabled devices such as handsets, netbooks, MP4s, dongles, GPS, and LED panels can receive virtually unlimited and instant mobile video and Internet downloads anytime anywhere deliverable through a ubiquitous terrestrial and satellite network.

Developed by the State Administration of Radio, Film, and Television ("SARFT") of the People's Republic of China ("PRC") with collaboration from the United States of America, CMMB is one of the most advanced digital broadcasting (multicast) technologies invented in the 21 Century that enables mobile television ("TV") delivery and data delivery through Internet by the Internet Protocol ("IP data"). It is Orthogonal frequency-division multiplexing ("OFDM") based, and can readily interact with other OFDM technologies such as third generation mobile technology 3G, fourth generation mobile technology ("4G") based on Institute of Electrical and Electronics Engineers standards 802.16(e) ("WiMax") and 4G Long Term Evolution ("4G LTE"). The key feature of CMMB is that it can deliver streaming live mobile video and push-IP data in a massive quantity and instant speed simultaneously to an unlimited number of mobile users anytime anywhere at very low cost. CMMB has been widely deployed over 330 Chinese cities with the support of world's largest mobile network and supply-chain ecosystem.

The Group's main business will apply the CMMB technology to address the growing bottleneck caused by video and Internet data content distribution, which can no longer be accommodated by the conventional unicast – based mobile communication technologies. In China, its goal is to become a leading CMMB service provider. Globally, its goal is to promote and develop CMMB by deploying and operating CMMB-based networks and services in different countries and create a global multimedia franchise.

Biographies of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. WONG Chau Chi ("Mr. Wong"), aged 48, was appointed as an executive Director in May 2007. Mr. Wong is currently the chief executive officer of the Group and the Chairman of the Board. Mr Wong has extensive experiences in finance, technology, and industrial management. He engineered the restructuring and reorganization of Global Flex Holdings Limited, a manufacturing company, into CMMB Vision Holdings Limited, a market leader in the development and operation of state-of-the-art mobile multimedia technologies tailored to the internet age. Mr. Wong is also the founder and managing director of Chi Capital Holdings Limited, a securities and private equity group. He also worked as the business head for derivatives and securities departments of Goldman Sachs, Citibank, and BNP Paribas, and business and financial management departments of General Electric and McKinsey. Mr. Wong graduated from Pomona College with a BA Degree in Economics and International Relations, as well as a degree in Master in Public Policy (MPP) from the Kennedy School of Government at Harvard University. He was also matriculated by the St. Antony's College at Oxford University for its political history program. Mr. Wong had not held any position nor directorship in other listed companies in the three preceding years.

Dr. LIU Hui ("Dr. Liu"), aged 44, was appointed as a non-executive Director in November 2009 and re-designated to an executive Director in May 2011. Dr. Liu is currently the chief technology officer of the Group and the Vice-chairman of the Board. Dr. Liu is one of the world's leading telecommunications engineers and inventors. He was the primary inventor of 18 granted or pending telecommunications patents, including more than half a dozen patents in the core OFDM technology that underlies LTE, Mobile WIMAX and CMMB. He developed CMMB, which had its inaugural launch at the 2008 Beijing Olympics and is now being used in 330 cities in the PRC. As an international renowned telecomm expert, he is also one of the original designers of TD-SCDMA (China's self-developed 3G standard) and a pioneer of OFDMA mobile networks. Dr. Liu holds a BS degree in Electrical Engineering from Fudan University and a PhD degree from University of Texas at Austin. His research interests include broadband wireless networks, array signal processing and applications, and multimedia signal processing. He has received a number of awards, including a Fellow of IEEE (Comm. Society), the 1997 National Science Foundation (NSF) CAREER Award, the ONR Young Investigator Award, and the Chinese Gold Prize Patent award for his contributions on TD-SCDMA. Mr. Liu is representing the Company as a key member in the Next Generation Broadcasting – Wireless Working Group in China, which is the comprehensive technology platform for the next generation CMMB and China's triple network convergence (i.e. internet, broadcasting, telecom) initiative. Dr. Liu had not held any position nor directorship in other listed companies in the three preceding years.

NON-EXECUTIVE DIRECTORS

Mr. CHOU Tsan-Hsiung ("Mr. Chou"), aged 70, was appointed as an independent non-executive Director in June 2005 and was subsequently re-designated as a non-executive Director in September 2005. Mr. Chou graduated with a bachelor degree in Laws from the National Chengchi University and is a member of Taipei Bar Association. Mr. Chou is currently a practicing lawyer in the Best Truth Law Firm in Taiwan. Mr. Chou previously worked in the Legal Affairs Office of the Central Trust of China. Mr. Chou had not held any position nor directorship in other listed companies in the three preceding years.

Mr. YANG Yi ("Mr. Yang"), aged 49, was appointed as a non-executive Director in February 2007. Mr. Yang first graduated from the Beijing University with a Bachelor Degree of Art in International Politics in 1987 and was awarded a scholar of Japanese Education Ministry by the Tokyo University in the same year. In 1991, Mr. Yang was awarded a master degree of Art in Law & Diplomacy by Fletcher School of Law and Diplomacy, jointly administrated by Tufts University and Harvard University. Mr. Yang has about 25 years of experience in finance and human resources management. The major appointments and positions previously assumed by Mr. Yang include a financial analyst at the fixed income division of J.P. Morgan Securities (Tokyo), the vice president of the human capital management of Goldman Sachs LLP (New York), the principal of executive search in the financial industry of Korn/Ferry International (Hong Kong) and a managing director of A.T. Kearney Management Consultancy (Hong Kong). At present, Mr. Yang is the director and founder of G Bridge Limited, Hong Kong based human resources advisory firm. Mr. Yang had not held any position nor directorship in other listed companies in the three preceding years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WANG Wei-Lin ("Mr. Wang"), aged 41, was appointed as an independent non-executive Director in September 2005. Mr. Wang has obtained a degree in Juris Scientiae Doctoris (Doctor of Juridical Science) from the Washington University in St. Louis. Mr. Wang also graduated with a Master of Laws degree from the University of Pennsylvania and a bachelor degree in laws from the National Chengchi University. Mr. Wang is a certified attorney in Taiwan and the New York State of the United States of America. Mr. Wang is also a member of the Taipei Bar Association and American Bar Association. Mr. Wang is currently an assistant professor in Shih Hsin University School of Law (世新大學法學院助理教授). Mr. Wang is currently an independent director of YoungFast (洋華光電股份有限公司), a company listed on the Taiwan Stock Exchange Corporation. Save as aforesaid, Mr. Wang had not held any position nor directorship in other listed companies in the three preceding years.

Mr. LI Shan ("Mr. Li"), aged 49, was appointed as a non-executive Director in October 2009 and re-designated to an independent non-executive Director in March 2010. Mr. Li graduated from School of Economics and Management of Tsinghua University with a BS degree in Management Information Systems in 1986, from University of California Davis with a MA degree in Economics in 1988, and from Massachusetts Institute of Technology with a PhD degree in Economics in 1993. After graduation, Mr. Li worked as an International Economist for Goldman Sachs & Co. In 1995, He became an Executive Director of Investment Research Department of Goldman Sachs (Asia), Executive Director for Investment Banking in Goldman Sachs International in London in 1997. From 1999 to 2001, Mr. Li was a Managing Director and the Head of China Investment Banking at Lehman Brothers. During 2001-2005, Mr. Li was the Chief Executive Officer for Bank of China International Holdings ("BOCI") in Hong Kong. Mr. Li has over 18 years of experience in investment banking and related financial management. At present, Mr. Li is a founding partner and Chief Executive Officer for San Shan (HK) Limited, an investment advisory company based in Hong Kong, Deputy Director of National Center of Economic Research of Tsinghua University, Director for Soufun.com and China Cablecom, and Vice-Chairman of China Overseas Returned Scholars Development Foundation in Beijing. Mr. Li was also a Director for 51job.com, a company listed on the Nasdaq and vice-chairman of UBS Investment Bank, a business division of UBS AG. Save as aforesaid, Mr. Li had not held any position nor directorship in other listed companies in the three preceding years.

Dr. LI Jun ("Dr. Li"), aged 51, was appointed as a non-executive Director in June 2007 and re-designated to an independent non-executive Director in May 2011. Dr. Li obtained a doctorate degree of philosophy in Political Economy from Oxford University in the United Kingdom. He was a senior manager and director of a number of securities and investment companies in Hong Kong and had extensive experience in international financial market. Dr. Li is currently an independent non-executive director of Zhejiang Glass Company, Limited (Stock code: 739) and previously an independent non-executive director of Sun Century Group Limited (formerly known as Hong Long Holdings Limited) (Stock code: 1383) until 1 June 2012. Save as aforesaid, Dr. Li had not held any position nor directorship in other listed companies in the three preceding years.

SENIOR MANAGEMENT

Mr. Vernon L. FOTHERINGHAM ("Mr. Fotheringham"), managing director for the Group's US operations: Mr. Fotheringham has been an industry leader and entrepreneur in the wireless and broadband communications industry for over thirty years. Previously he was the CEO of Adaptix Inc., a world leader in the development of next generation broadband wireless system technology principally OFDMA and mobile WiMAX (for which it patented the core technology of the IEEE 802.16(e) standard, as now embedded in Mobile WiMax and LTE cellular systems). Mr. Fotheringham was also previously the CEO and chairman of Bazillion, an Internet service provider, and Voice over Internet Protocol,service provider, which developed the first national VoIP network providing toll quality voice services. In addition, Mr. Fotheringham was the founder, CEO and chairman of Advanced Radio Telecom (ART), a publicly traded wireless internet service provider. ART held broadband radio spectrum licenses for 207 major markets in the U.S. and five countries in Europe. Highlights of his career activities include direct participation in the development and international expansion of the cellular telephone industry on four continents; the creation and development of the mobile satellite and satellite audio broadcasting industry with Omninet (now Qualcomm), AMSC (now Light Squared) and Norcom Networks (now Wireless Matrix); spearheading nationwide air-to-ground communication services with Claircom (now AT&T Mobility); pioneering digital satellite broadcasting as founder of Digital Satellite Broadcasting Corporation. Mr. Fotheringham received his BA Degree from California State University, Fullerton (CSUF), and pursued post-graduate degrees at both CSUF and Claremont Graduate University. He is the co-author of "Wireless Broadband: Conflict and Convergence," published in November 2008.

Mr. Fred SLATER ("Mr. Slater"), vice president of operations: Mr. Slater is in charge of broadcast operations and service development at CMMB Vision (USA). He was previously the vice president of engineering at National Interop where he led the development of new radio products. He began his career at AT&T, where he designed and built a successful video conferencing service in the mid-1990's. He subsequently participated in four startup companies for over 10 years, designing a unique national Voice Over Internet Protocol service, an IP-base radio service, the world's first OFDMA broadband products and a suite of award-winning mobile WiMAX products.

Mr. Ted PIERSON ("Mr. Pierson"), general counsel: Mr. Pierson is the general counsel of the Company. He was previously the general counsel of CTB Group, Inc. and the president of several of its affiliated companies, the principal one of which was CTB Spectrum Services, LLC. He has been a regulatory and business attorney in the telecommunications and broadcasting industries for over 30 years. For the last 20 years, he has also been a telecommunications entrepreneur, co-founded a US-based public fixed wireless company and founding and serving as CEO of a similar company in the Republic of Poland and a domestic neutral tandem switching company.

The Company has adopted the Code Provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 to the Listing Rules. The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

The Board considers that good corporate governance of the Company is central to safeguarding the interests of the Shareholders and enhancing the performance of the Group. The Board is committed to maintaining and ensuring high standards of corporate governance. The Company has applied the principles and complied with all the applicable Code Provisions of the CG Code throughout the year ended 31 December 2012 except that the Company has been deviated from the Code Provision A.2.1 of the CG Code, as the roles of Chairman and chief executive officer of the Company were not separate. With effect on 19 May 2008, Mr. WONG Chau Chi ("Mr. Wong") had been re-designated as the Chairman and Mr. Wong also remains as the chief executive officer of the Company. According to the Code Provision A.2.1 of the CG Code, the roles of a chairman and a chief executive officer should be separate and should not be performed by the same individual. Given Mr. Wong has had extensive experience in the business of the Group and has performed satisfactorily since his joining of the Company in 2007, particularly in soliciting for possible new business opportunities and deducing the overall strategic plan for the future development of the Company, the Board considers that it would be beneficial of the Group if Mr. Wong is also in charge of overseeing the Company's operations as the Chairman. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group. The Board will regularly review the effectiveness of this arrangement.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a revised code of conduct regarding the Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. All the Directors confirmed, following specific enquiry by the Company, that they have fully complied with the required standard as set out in the Model Code and the code of conduct throughout the year ended 31 December 2012.

BOARD OF DIRECTORS

Composition and role

The Board during the year and up to the date of this report comprises:

Executive Directors	Wong Chau Chi *(Chairman)* Hui Liu *(Vice-chairman)*
Non-executive Directors	Chou Tsan-Hsiung Yang Yi
Independent non-executive Directors	Wang Wei-Lin Shan Li Li Jun

As at 31 December 2012, the Board comprised two executive Directors (also the Chairman and Vice-chairman of the Company) and five non-executive Directors. Of the five non-executive Directors, three of them are independent non-executive Directors which represent about a quarter of the Board.

The principal focus of the Board is on the overall strategic development of the Group. The Board also monitors the financial performance and the internal controls of the Group's business operations. With a wide range of expertise and a balance of skills, the non-executive Directors bring independent judgment on issues of strategic direction, development, performance and risk management through their contribution at Board meetings and committee works.

The independent non-executive Directors also serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. The Board considers that each independent non-executive Director is independent in character and judgment and that they all meet the specific independence criteria as required by the Listing Rules. The Company has received from each independent non-executive Directors an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules and the Board considers such Directors are independent. The independent non-executive Directors are explicitly identified in all corporate communications.

The Company has complied with the provisions of Rules 3.10(1) and 3.10(2) of the Listing Rules that sufficient number of independent non-executive Directors have been appointed and that at least one of the independent non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise.

All Directors are regularly updated on governance and regulatory matters. There is an established procedure for the Directors to obtain independent professional advice at the expense of the Company in the furtherance of their duties.

Board Meetings and Procedures

The Board meets regularly throughout the year and up to date of this annual report to review the overall business, financial and technical strategy and to monitor the financial performance of the Group while the senior management are delegated to supervise the day-to-day management and operation of the Group and the execution of the plans of the Group as approved by the Board. The Chairman is primarily responsible for drawing up and approving the agenda for each Board meeting in consultation with all Directors. Notices of at least 14 days have been given to all Directors for all regular Board meetings and the Directors can include matters for discussion in the agenda if necessary. Agenda and accompanying Board papers in respect of regular Board meetings are sent out in full to all Directors within reasonable time before the Board meetings. Draft minutes of all Board meetings are circulated to all Directors for comment within a reasonable time prior to endorsement.

Minutes of Board meetings and meetings of Board committees are kept by duly appointed secretaries of the respective meetings and all Directors have access to Board papers and related materials, and are provided with adequate information on a timely manner, which enable the Board to make an informed decision on matters placed before it.

During the year, ten Board meetings were held and the individual attendance of each Director is set out below:

Name of Director	Number of Board meeting attended	Attendance rate
Wong Chau Chi *(Chairman)*	10/10	100%
Hui Liu *(Vice-chairman)*	2/10	20%
Chou Tsan-Hsiung	2/10	20%
Yang Yi	10/10	100%
Wang Wei-Lin	2/10	20%
Shan Li	2/10	20%
Li Jun	0/10	0%

Chairman and Chief Executive Officer

During the year under review, Mr. WONG Chau Chi served as the Chairman and the chief executive officer of the Company. The Chairman is responsible for the overall business development operation strategy of the Group. The chief executive officer of the Company is responsible for financial and administration management and investment issue of the Group.

Terms of appointment of non-executive Directors

Each of the non-executive Directors and the independent non-executive Directors has entered into an appointment letter with the Company for an initial term of one year. The term of each of the non-executive Directors and the independent non-executive Directors shall be renewable automatically for successive term of one year each commencing from the next day after the expiry of their then current term of appointment, subject to retirement by rotation and re-election at the annual general meeting ("AGM") pursuant to its Articles of Association (the "Articles") unless terminated by not less than three months notice in writing served by either the respective non-executive Director or independent non-executive Director expiring at the end of the initial term or at any time thereafter.

AUDIT COMMITTEE

The Audit Committee was established in July 2005 with written terms of reference adopted by reference to the code provisions of the CG Code and its members include:

Mr. LI Shan *(Chairman of the Audit Committee)*
Mr. CHOU Tsan-Hsiung
Dr. LI Jun

The majority of the Audit Committee members are independent non-executive Directors. The Board considers that each Audit Committee member has broad commercial experience and there is a suitable mix of expertise in business, accounting and financial management in the Audit Committee. The composition and members of the Audit Committee comply with the requirements under the Rule 3.21 of the Listing Rules as at 31 December 2012. The Audit Committee is responsible for assisting the Board in safeguarding the Group's assets by providing an independent review of the effectiveness of the financial reporting process and the internal controls and risk management systems of the Group. The Audit Committee also oversees the audit process and performs other duties as assigned by the Board.

The Audit Committee meets regularly to review the reporting of financial and other information to the Shareholders, the system of internal controls, risk management and the effectiveness and objectivity of the audit process. The Audit Committee also provides an important link between the Board and the Company's auditor in matters coming within the scope of its terms of reference and keeps under review the independence and objectivity of the auditor.

The Audit Committee has reviewed the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, and has reviewed the consolidated financial statements for the year ended 31 December 2012.

During the year ended 31 December 2012, two Audit Committee meetings were held and the individual attendance of each member is set out below:

Name of Director	Number of committee meetings attended	Attendance rate
Mr. LI Shan	2/2	100%
Mr. CHOU Tsan-Hsiung	2/2	100%
Dr. LI Jun	0/2	0%

The Company has adopted a revised written terms of reference of the Audit Committee with reference to the corresponding changes made to the code provisions of the CG Code. The Company has complied with the provision of Rule 3.21 of the Listing Rules that the Company's audit committee comprises a minimum of three members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

REMUNERATION COMMITTEE

The remuneration committee (the "Remuneration Committee") of the Company was established in July 2005 and its members include:

Mr. WANG Wei-Lin *(Chairman of the Remuneration Committee)*
Mr. CHOU Tsan-Hsiung
Mr. LI Shan
Dr. LI Jun

The majority of the Remuneration Committee members are independent non-executive Directors. The Remuneration Committee advises the Board on the Group's overall policy and structure for the remuneration of the Directors and senior management of the Group. The Remuneration Committee ensures that no Director or any of his associates is involved in deciding his own remuneration.

In determining the emolument payable to the Directors, the Remuneration Committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions of the Group and the desirability of performance-based remuneration.

The Remuneration Committee meets regularly to determine the policy for the remuneration of the Directors and assesses performance of the executive Directors and certain senior management of the Group. During the year ended 31 December 2012, one Remuneration Committee meeting was held, the individual attendance of each member is set out below:

Name of Director	Number of committee meeting attended	Attendance rate
Mr. WANG Wei-Lin	1/1	100%
Mr. CHOU Tsan-Hsiung	1/1	100%
Mr. LI Shan	1/1	100%
Dr. LI Jun	0/0	0%

NOMINATION OF DIRECTORS

The Board is responsible for considering the suitability of an individual to act as a Director, and approving and terminating the appointment of a Director. The Company has not established a nomination committee. The Company currently does not have any plans to set up a nomination committee.

The Chairman is responsible for identifying suitable candidates to the members of the Board when there is a vacancy or an additional director is considered necessary. The Chairman proposes the appointment of such candidates to each member of the Board for consideration. Each member of the Board will review the qualifications of the relevant candidates for determining the suitability to the Group on the basis of their qualifications, experiences and background.

During the year 2012, no any Board meeting was held in relation to the nomination of Director.

AUDITOR'S REMUNERATION

An analysis of the remuneration in respect of audit services provided by the auditor to the Group for the year ended 31 December 2012 is summarised as below:

Services	Remuneration (US$)
Audit services	154,839

INTERNAL CONTROLS

The Board has overall responsibility for the system of internal controls of the Company and for reviewing its effectiveness. The Board is committed to implementing an effective and sound internal controls system to safeguard the interest of the Shareholders and the Group's assets. The Board has delegated to executive management the implementation of the system of internal controls and reviewing of all relevant financial, operational, compliance controls and risk management function within an established framework.

The Board has conducted a review of the effectiveness of the Group's internal control system, covering its financial and operational functions.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation of the consolidated financial statements for each financial period which gives a true and fair view of the state of affairs of the Group and of its results and cash flows for that period. In preparing the consolidated financial statements for the year ended 31 December 2012, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent, fair and reasonable; and prepared the consolidated financial statements on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and which enable the preparation of the consolidated financial statements in accordance with the Hong Kong Companies Ordinance.

AUDITOR'S STATEMENT

The auditor of the Company acknowledges its responsibilities in the independent auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2012.

INVESTOR RELATIONSHIP AND COMMUNICATION

The Company endeavours to maintain a high level of transparency in communicating with the Shareholders and the investment community at large. Briefings and meetings with institutional investors and analysts are conducted regularly. The Company is committed to continue to maintain an open and effective investor communication policy and to update the investors on relevant information on its business in a timely manner, subject to relevant regulatory requirements. In order to ensure effective, clear and accurate communications with the investors and analysts, all corporate communications are arranged and handled by the executive Directors and designated senior executives according to established practices and procedures of the Company.

For and on behalf of the Board

WONG Chau Chi
Chairman

Hong Kong, 26 March 2013

Report of the Directors

The Directors are pleased to present their report and the audited consolidated financial statements for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its subsidiaries are set out in note 40 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2012 are set out in the consolidated statement of comprehensive income on page 29 of the 2012 Annual Report of which this report forms part.

PROPERTY, PLANT AND EQUIPMENT

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 20 to the consolidated financial statements.

SHARE CAPITAL

During the year, an aggregate 189,907,588 new Shares were issued, which represents approximately 42.2% change in existing issued share capital as at 31 December 2011. Details of these and other movements during the year in the share capital of the Company are set out in note 28 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The Company did not have reserves in aggregate available for distribution to the Shareholders as at 31 December 2012. Under the Companies Law Chapter 22 of the Cayman Islands, the share premium of the Company amounted to approximately US$48.4 million as at 31 December 2012 is available for distributions to the Shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors

Mr. WONG Chau Chi *(Chairman)*
Dr. LIU Hui *(Vice-Chairman)*

Non-executive Directors

Mr. CHOU Tsan-Hsiung
Mr. YANG Yi

Independent non-executive Directors

Mr. WANG Wei-Lin
Mr. LI Shan
Dr. LI Jun

In accordance with Article 108(A) of the Articles, at each AGM one third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Accordingly Mr. WONG Chau Chi, Dr. LIU Hui and Mr. LI Shan will retire from the office and, being eligible, offer themselves for re-election at the AGM to be held in year 2013.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

As at 31 December 2012, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(a) Ordinary shares

Name of Director	Name of corporation	Capacity/nature of interest	Total number of ordinary shares	Approximate percentage of interest
Mr. WONG Chau Chi	The Company	Interest of controlled corporation (Note)	173,857,838	27.2%

Note: These Shares are registered under the name of Chi Capital Holdings Limited ("Chi Capital"), a company wholly owned by Mr. WONG Chau Chi and he was the sole shareholder and director of Chi Capital. Under the SFO, Mr. WONG Chau Chi was deemed to be interested in all the Shares held by Chi Capital.

(b) Share options

Name of Director	Capacity/nature of interest	Number of options held	Number of underlying shares
Mr. WONG Chau Chi	Beneficial owner	1,675,000	1,675,000

All the interests disclosed above represent long positions in the Shares and underlying shares of the Company.

Other than as disclosed above, none of the Directors, chief executives of the Company or their associates had any interests or short positions, whether beneficial or non-beneficial, in any Shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2012 as required to be recorded in the register maintained by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

The Company operates a share option scheme (the "Scheme") which was adopted on 5 July 2005. During the year ended 31 December 2012, 45,000,000 share options were granted under the Scheme. Particulars of the Schemes and details of the movements during the year in the share options of the Company are set out in note 31 to the consolidated financial statements.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in note 31 to the consolidated financial statements, at no time during the year was the Company or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 39 to the consolidated financial statements, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2012, the register of the Company's substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain Directors or chief executives of the Company, the following Shareholders had notified the Company of their relevant interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporation.

Name of shareholder	Capacity/ nature of interest	Number of ordinary shares (Note 1)	Percentage of the issueds hare capital
Chi Capital Holdings Limited	Beneficial owner (Note 2)	173,857,838 (L)	27.18%
Mr. WONG Chau Chi	Interest of controlled Corporation (Note 2)	173,857,838(L)	27.18%
	Beneficial owner	1,675,000(L)	0.26%

Notes:

1. The letter "L" denotes the persons' long positions in the Shares.

2. These Shares are registered under the name of Chi Capital Holdings Limited ("Chi Capital"), a company wholly owned by Mr. WONG Chau Chi and he was the sole shareholder and director of Chi Capital. Under the SFO, Mr. WONG Chau Chi was deemed to be interested in all the Shares held by Chi Capital.

Other than as disclosed above, the Company has not been notified of any other person (other than a Director or a chief executive of the Company) who had an interest or a short position in any Shares, underlying shares and debentures of the Company or its associated corporations as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31 December 2012.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the largest and the five largest customers of the Group accounted for approximately 56.0% and 100% of the Group's turnover respectively.

At no time during the year did a Director, an associate of a Director or any Shareholders (which to the best knowledge of the Directors had more than 5% interests in the Company) had an interest in any of the Group's five largest customers or suppliers.

CONNECTED TRANSACTIONS

Save as disclosed in note 39(a) & (b) to the consolidated financial statements, neither the Group nor the Company has any connected transactions and/or continuing connected transactions as defined under Chapter 14A of the Listing Rules during the year under review. Except for disclosed in note 39(a) & (b) to the consolidated financial statements, other related party transactions disclosed in note 39 to the consolidated financial statements are exempted continuing connected transactions.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, none of the Directors had any interests in competing business of the Group which was required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

TAX RELIEF AND EXEMPTION

The Company is not aware that holders of securities of the Company are entitled to any tax relief or exemption by reason of their holding of such securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the best knowledge of the Directors, as at the latest practicable date prior to the issue of this report, the Directors consider that the Company has maintained a sufficient public float as required under the Listing Rules.

AUDITOR

Messrs. Deloitte Touche Tohmatsu have acted as auditor of the Company since its incorporation.

A resolution will be proposed in the forthcoming AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Wong Chau Chi
Chairman
Hong Kong, 26 March 2013

Independent Auditor's Report

TO THE SHAREHOLDERS OF CMMB VISION HOLDINGS LIMITED
中國移動多媒體廣播控股有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of CMMB Vision Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 29 to 102, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2012 and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 March 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	NOTES	2012 US$	2011 US$
Continuing operations			
Revenue	9	**266,227**	–
Cost of sales		**(408,502)**	–
Gross loss		**(142,275)**	–
Other income	10	**80**	25,275
Administrative expenses		**(1,524,172)**	(1,364,576)
Advertising expenses		**(51,032)**	(52,799)
Research costs		**—**	(898,974)
Other expenses	15	**(2,374,872)**	(2,726,419)
Other gains and losses	11	**(6,324,352)**	(11,411,046)
Finance costs	12	**(198,638)**	(73)
Loss for the year from continuing operations	15	**(10,615,261)**	(16,428,612)
Discontinued operations			
Profit for the year from discontinued operations	14	**—**	22,473,883
(Loss) profit for the year		**(10,615,261)**	6,045,271
Other comprehensive expense			
Exchange differences arising on translation		**—**	(1,149,818)
Total comprehensive (expense) income for the year		**(10,615,261)**	4,895,453
(Loss) profit for the year attributable to owners of the Company:			
– from continuing operations		**(9,900,497)**	(16,418,676)
– from discontinued operations		**—**	22,473,883
		(9,900,497)	6,055,207
Loss for the year attributable to non-controlling interests:			
– from continuing operations		**(714,764)**	(9,936)
		(10,615,261)	6,045,271
Total comprehensive (expense) income attributable to:			
– Owners of the Company		**(9,900,497)**	4,905,389
– Non-controlling interests		**(714,764)**	(9,936)
Total comprehensive (expense) income for the year		**(10,615,261)**	4,895,453
(Loss) earnings per share	19		(Restated)
From continuing and discontinued operations			
– Basic and diluted		**(0.019)**	0.017
From continuing operations			
– Basic and diluted		**(0.019)**	(0.045)

Consolidated Statement of Financial Position

At 31 December 2012

	NOTES	2012 US$	2011 US$
NON-CURRENT ASSETS			
Property, plant and equipment	20	**11,829**	35,061
Intangible assets	21	**24,150,191**	1,504,506
Interests in associates	22	**—**	—
		24,162,020	1,539,567
CURRENT ASSETS			
Trade and other receivables	23	**1,199,869**	1,173,401
Bank balances and cash	24	**822,877**	315,813
		2,022,746	1,489,214
CURRENT LIABILITIES			
Trade and other payables	25	**1,881,270**	1,216,839
Amount due to a director	26	**—**	375,806
Amount due to a related company	26	**—**	389,029
		1,881,270	1,981,674
NET CURRENT ASSETS (LIABILITIES)		**141,476**	(492,460)
		24,303,496	1,047,107
CAPITAL AND RESERVES			
Share capital	28	**8,254,578**	5,804,157
Share premium and reserves		**(4,579,132)**	(4,933,627)
Equity attributable to owners of the Company		**3,675,446**	870,530
Non-controlling interests		**11,261,795**	176,577
Total equity		**14,937,241**	1,047,107

	NOTES	2012	2011
		US$	US$
NON-CURRENT LIABILITIES			
Convertible notes	27	**3,553,372**	—
Derivative financial instruments of convertible notes	27	**5,032,258**	—
Amount due to a related company	26	**422,714**	—
Amount due to a director	26	**357,911**	—
		9,366,255	—
		24,303,496	1,047,107

The consolidated financial statements on pages 29 to 102 were approved and authorised for issue by the Board of directors on 26 March 2013 and are signed on its behalf by:

DIRECTOR DIRECTOR

	Attributable to owners of the Company											
	Share capital US$	Share premium US$	Merger reserve US$ (note 29)	Statutory reserve US$ (note 30)	Distributable reserve US$	Share option reserve US$ (note 31)	Capital reserve US$ (note 32)	Exchange reserve US$	Accumulated losses US$	Sub-total US$	Non-controlling interests US$	Total US$
At 1 January 2011	4,436,315	34,787,558	31,987,096	6,391,242	18,464,516	5,800,669	1,639,897	12,130,917	(126,629,816)	(10,991,606)	–	(10,991,606)
Profit for the year	–	–	–	–	–	–	–	–	6,055,207	6,055,207	(9,936)	6,045,271
Exchange differences arising on translation	–	–	–	–	–	–	–	(1,149,818)	–	(1,149,818)	–	(1,149,818)
Total comprehensive income (expense) for the year	–	–	–	–	–	–	–	(1,149,818)	6,055,207	4,905,389	(9,936)	4,895,453
Recognition of equity settled share-based payments	–	–	–	–	–	1,133,276	–	–	–	1,133,276	–	1,133,276
Forfeiture of share options	–	–	–	–	–	(365,847)	–	–	365,847	–	–	–
Issue of shares	1,367,842	4,066,578	–	–	–	–	–	–	–	5,434,420	–	5,434,420
Transaction costs related in issue of shares	–	(8,258)	–	–	–	–	–	–	–	(8,258)	–	(8,258)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	186,513	186,513
Deemed capital contribution from a shareholder upon disposal of subsidiaries (note 33)	–	–	–	–	–	–	397,309	–	–	397,309	–	397,309
Release upon deconsolidation of a subsidiary	–	–	–	(6,391,242)	–	–	–	(10,952,179)	17,343,421	–	–	–
At 31 December 2011	5,804,157	38,845,878	31,987,096	–	18,464,516	6,568,098	2,037,206	28,920	(102,865,341)	870,530	176,577	1,047,107
Loss for the year and total comprehensive expense for the year	–	–	–	–	–	–	–	–	(9,900,497)	(9,900,497)	(714,764)	(10,615,261)
Recognition of equity settled share-based payments	–	–	–	–	–	1,677,690	–	–	–	1,677,690	–	1,677,690
Forfeiture of share options	–	–	–	–	–	(2,864,906)	–	–	2,864,906	–	–	–
Issue of shares	1,931,453	6,953,230	–	–	–	–	–	–	–	8,884,683	–	8,884,683
Transaction costs related in issue of shares	–	(14,392)	–	–	–	–	–	–	–	(14,392)	–	(14,392)
Exercise of share options	518,968	2,645,748	–	–	–	(1,046,419)	–	–	–	2,118,297	–	2,118,297
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	11,799,982	11,799,982
Deemed capital contribution from a shareholder (note 26a)	–	–	–	–	–	–	39,135	–	–	39,135	–	39,135
At 31 December 2012	8,254,578	48,430,464	31,987,096	–	18,464,516	4,334,463	2,076,341	28,920	(109,900,932)	3,675,446	11,261,795	14,937,241

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	NOTES	2012 US$	2011 US$
OPERATING ACTIVITIES			
(Loss) profit for the year		**(10,615,261)**	6,045,271
Adjustments for:			
Loss on acquisition of an intangible asset		**4,861,135**	1,095,362
Loss on fair value change of forward contract		—	10,529,926
Share-based payments		**1,677,690**	1,133,276
Impairment loss recognised on an intangible asset		**1,334,185**	—
Amortisation of intangible assets		**527,723**	28,387
Change in fair value of derivative component of convertible notes		**129,032**	—
Depreciation of property, plant and equipment		**23,248**	1,087,992
Interest income		**(36)**	(2,676)
Finance costs		**198,638**	1,741,179
Impairment loss recognised on trade and other receivables, net		—	1,229,021
Depreciation of investment property		—	149,023
Write-down of inventories		—	78,678
Release of prepaid lease payments		—	19,622
Loss on disposal of property, plant and equipment		—	790
Gain on deconsolidation of a subsidiary	33	—	(29,535,692)
Operating cash flows before movements in working capital		**(1,863,646)**	(6,399,841)
Decrease in inventories		—	1,114,243
(Increase) decrease in trade and other receivables		**(26,468)**	386,141
Increase (decrease) in trade and other payables		**664,431**	(2,289,648)
NET CASH USED IN OPERATING ACTIVITIES		**(1,225,683)**	(7,189,105)
INVESTING ACTIVITIES			
Interest received		**36**	2,676
Repayment from a related company		—	500,000
Repayment from an associate		—	26,064
Deconsolidation of a subsidiary/disposal of subsidiaries	33	—	(128,203)
Purchase of property, plant and equipment		—	(161,979)
NET CASH FROM INVESTING ACTIVITIES		**36**	238,558

	2012 US$	2011 US$
FINANCING ACTIVITIES		
Proceeds from exercise of share options	**2,118,297**	—
Repayment to a related company	**(371,178)**	(125,045)
Costs related to share issued and exercise of share options	**(14,392)**	(8,258)
Proceeds from issue of shares	—	3,992,678
New other borrowing raised	—	589,619
Advance from a director	—	375,806
Repayment of bank borrowings	—	(100,574)
Repayment of other borrowings	—	(120,925)
Interest paid	—	(1,333,373)
NET CASH FROM FINANCING ACTIVITIES	**1,732,727**	3,269,928
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**507,080**	(3,680,619)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**315,813**	3,957,006
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(16)**	39,426
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**822,877**	315,813

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are disclosed in the Corporate Information section of the annual report.

The Company acts as an investment holding company. Its subsidiaries are principally engaged in provision of China Mobile Multimedia Broadcasting ("CMMB") and agency services.

CMMB is a digital mobile multimedia technology developed in People's Republic of China (the "PRC") under the 國家廣播電影電視總局 (the State Administration of Radio, Film and Television) of the PRC ("SARFT"). It delivers digital mobile television via terrestrial and satellite network directly to all devices such as hand-phone, pocket television, lap-top, personal media player and global positioning system that are equipped with a CMMB-enabled chipset. It provides video, audio, and data broadcasting and downloading to mobile users anytime anywhere with virtually no bandwidth limitation at high quality and low cost, and can receive signals over 350 kilometer/hour without distortion.

Agency services relating to procurement and distribution of PCB materials generate agency income which represented the difference between gross proceeds received from the customers and related cost payable to the suppliers.

The consolidated financial statements are presented in United States dollar. Following the completion of acquisition of assets as at 14 September 2012 (note 34), the directors re-assessed functional currency of the Company. Subsequent to the acquisition, the Group's main operations are expected to be primarily located in the United States of America (the "USA"), which is the primary economic environment in which the major operating subsidiaries of the Company will operate. As a result of this assessment, the directors determined to change the functional currency from Renminbi to United States dollar with effect from 14 September 2012. The change of functional currency is applied prospectively from the date of change in accordance with HKAS 21 *The Effect of Changes in Foreign Exchange Rates*.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared on a going concern basis notwithstanding the fact that the Group incurred a loss for the year from continuing operations of US$10,615,261 during the year ended 31 December 2012. In the opinion of the directors of the Company, the Group should be able to continue as a going concern in the coming year taking into consideration the measures which include, but are not limited to, the following:

(a) During the year, the Group has commenced the provision of TV broadcasting services subsequent to the acquisition of CMMB Vision (USA) Inc. (note 34) ("CMMB Vision (USA)"). A 3-year service contract has been entered into between CMMB Vision (USA) and China Central Television, a state-owned enterprise in PRC ("CCTV"). The management is currently under negotiation with other parties for the provision of TV broadcasting services and is of the opinion that such service can provide a reliable and stable cash flow for the Group to operate.

The Group is currently providing contents to the operating platform in the USA. Accordingly, in the opinion of the directors, no significant capital investment is required for the new business operation.

(b) The Group plans to further issue new shares to raise additional funds to improve its liquidity position.

(c) Chi Capital Holdings Limited ("Chi Capital"), a company wholly owned by Mr. WONG Chau Chi, a director and shareholder of the Company, has agreed to provide financial support to enable the Group to meet its financial obligation as they fall due in the foreseeable future. As disclosed in note 27, Chi Capital is entitled to convert into 138,744,230 shares at any time before the maturity date on 13 September 2015. Chi Capital would hold approximately 40% of outstanding shares of the Company if all convertible notes are fully exercised.

Based on the aforesaid factors, the directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets; and
Amendments to HKFRS 7	Financial Instruments: Disclosures - Transfers of Financial Assets.

The application of the above amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised standards, amendments and interpretation that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[1]
Amendments to HKFRS 1	Government Loans[1]
Amendments to HKFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[4]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[2]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[4]
HK(IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

1 Effective for annual periods beginning on or after 1 January 2013.
2 Effective for annual periods beginning on or after 1 July 2012.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 January 2014.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes requirements for classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

HKFRS 9 required all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The directors anticipated that HKFRS 9 will be adopted in the Group's financial statements for the annual period beginning on 1 January 2015. Based on the financial instruments as at 31 December 2012, the application of this standard is not expected to have a significant impact on the amounts reported in the consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of HKFRS 10 and HKFRS 12 are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. HK (SIC) Int 12 *Consolidation - Special Purpose Entities* will be withdrawn upon the effective date of HKFRS 10. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for the Group for annual period beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time. Based on the existing group structure, the application of these five standards is not expected to have a significant impact on the amounts reported in the consolidated financial statements.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 13 Fair Value Measurement *(Continued)*

HKFRS 13 is effective for the Group for annual period beginning on 1 January 2013, with earlier application permitted.

The directors anticipated that the application of this standard is not expected to have a significant impact on the amounts reported in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income* introduce new terminology for the statement of comprehensive income. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income". In addition, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for the Group for annual period beginning on 1 January 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

The directors of the Company anticipate that the application of the other new and revised standards, amendments and interpretation issued but not yet effective will have no material effect on amounts reported in the consolidated financial statements and/or disclosures set out in these consolidated financial statements of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods. The principal accounting policies are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired, disposed of or deconsolidated due to loss of control during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal or deconsolidation, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates *(Continued)*

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amount receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

The Group acts as an agent when it does not have exposure to the significant risks and rewards associated with the sale of goods. Agency income is recognised when the related procurement and distribution of goods are completed.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Service income represents the air time and transmission services provided and the channels broadcasting in real time on the station 24 hours a day, seven days a week. Service income will be recognised on a straight line basis over the contract period.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Research expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs, being the fair value at the date of acquisition, less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight line basis over the lease terms.

Impairment losses on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss, if any.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses on tangible and intangible assets *(Continued)*

If the recoverable amount of an asset (or a cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "loss before tax" as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised to profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

Functional currency of a group entity is changed only if there is a change to the underlying transactions, events and conditions that are relevant to the entity. Such effect is accounted for prospectively at the date of change. The entity translates all items into the new functional currency using the prevailing exchange rate at the date of change. The resulting translated amounts for non-monetary items are treated as their historical cost. Exchange differences arising from the translation of a foreign operation previously recognised in other comprehensive income are not reclassified from equity to profit or loss until the disposal of the operation.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the foreign operation are translated into the presentation currency of the Group (i.e. United States dollar) using exchange rates prevailing at the end of each reporting period. Income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the exchange reserve.

On the disposal or deconsolidation of subsidiaries which are not foreign operations, all of the relevant exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to accumulated losses.

Retirement benefit costs

Payments to defined contribution retirement benefit scheme are recognised as expenses when employees have rendered service entitling them to the contributions.

Share-based payment transactions

Equity-settled share-based payment transactions

Shares and share options granted to employees of the Group

The fair value of services received determined by reference to the fair value of shares granted at the grant date is recognised as an expense in full at the grant date when the shares granted vest immediately, with a corresponding increase in equity (capital reserve).

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

When the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions *(Continued)*

Equity-settled share-based payment transactions *(Continued)*

Share options granted to consultants

Share options issued in exchange for services are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the share options granted. The fair value of the services received is recognised as an expense, with a corresponding increase in equity (share option reserve), when the counterparties render services, unless the services qualify for recognition as assets.

Share-based payment transaction for acquisition of assets

At the acquisition date, shares issued in exchange for acquisition of assets are measured at the fair value of the assets received, unless that fair value cannot be reliably measured, in which case the assets received are measured by reference to the fair value of the shares issued at the acquisition date. If the fair value of the relevant assets is less than the fair value of share issued as at the acquisition date, the difference between the fair value of share issued and the fair value of any identifiable assets is recognised in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables (including trade and other receivables and bank balances and cash) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the respective credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss is recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment loss on financial assets (Continued)

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial liabilities

Financial liabilities (including trade and other payables, amount due to a related company and amount due to a director) are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instrument

A forward contract between the Group and the vendor for acquisition of interests in associates is accounted for as a derivative financial instrument under HKAS 39 *Financial Instruments: Recognition and Measurement*. Derivatives are initially recognised at fair value at the date when the derivative contract is entered into and are subsequently remeasured to their fair values at the end of each reporting period and up to the date of the acquisition of the relevant associates. The resulting gain or loss is recognised in profit or loss immediately.

Convertible notes contain debt component and derivative component (including the conversion option and the redemption option)

Convertible notes issued by the Group that contain both debt and derivative components (including the conversion option and the redemption option) are classified separately into respective items on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a derivative component (including the conversion option and the redemption option). At the date of issue, both the debt component and derivative component (including the conversion option and the redemption option) are recognised at fair value.

In subsequent periods, the debt component of the convertible notes is carried at amortised cost using the effective interest method. The derivative component (including the conversion option and the redemption option) are measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible notes are allocated to the debt component and derivative component (including the conversion option and the redemption option) in proportion to their relative fair values. Transaction costs relating to the derivative component (including the conversion option and the redemption option) are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible notes using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Critical judgment in applying accounting policies

The following are the critical judgment, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Agency income generating from agency service relating to trading of rigid printed circuit board ("PCB")

As set out in note 9, the directors of the Company consider agency service relating to trading of PCB materials is one of the Group's principal activities for the year ended 31 December 2012, and therefore agency income of US$117,030 is therefore recognised as revenue.

In determining whether the Group is acting as a principal or an agent, the directors of the Company assess all relevant facts and circumstances and conclude that the Group is not the primary obligor in the arrangement as the Group places the purchase order directly according to the customers' requirements and recognises the agency income by charging commission based on fixed rates on sales. In addition, suppliers are directly responsible for fulfillment of acceptable and quality products purchased by the customers and, the Group is not exposed to inventory risk before and after the customer order, during shipping or on return.

With the above assessment, the agency income is recognised based on the difference between the gross revenue and cost of sales as the directors of the Company consider that the Group acts as an agent under the arrangement under HKAS 18 despite the Group bears the credit risk of trade receivables and is liable to the settlement of trade payables.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Amortisation and impairment of intangible assets

Intangible assets with definite useful lives of US$24,150,191 (2011: US$1,504,506) at the end of the reporting period are amortised on a straight line basis over their estimated useful lives.

The Group determines the estimated useful lives approximate the contractual licensing and leasing periods. Management will increase the amortisation charges where actual economic lives are less than estimated useful lives. Periodic review could result in a change in amortisable lives and therefore amortisation expenses in future years. Details of the intangible assets are set out in note 21.

During the year, management has evaluated the impairment of intangible assets by way of higher of value in use calculation by reference to the discounted cash flows derived from financial budgets approved by the management of the Group ("VIU") or fair value less cost to sell with reference to the latest market transactions ("FVLCTS"). If the actual sales forecasts or the fair value less cost to sell are less than expected, an impairment loss may be required.

For the licensing rights, the actual results in the second half of 2012 did not meet the expected results, the directors of the Company revised the cash flows estimates as certain estimated cash flows from the licensing rights are no longer probable, an impairment loss of US$1,334,185 was recognised in the profit or loss during the year 31 December 2012 (2011: Nil).

For the contract acquisition costs, the FVLCTS, by reference to the similar spectrum transacted in an active market of New York City after considering the lease terms and relevant operating costs, is higher than its carrying amount, so no impairment was recognised in profit or loss during the year.

Fair value of derivatives financial instruments of convertible notes

The directors of the Company use their judgment in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, the estimation of fair value of derivatives includes some assumptions not supported by observable market prices or rates. The carrying amount of the financial derivatives instruments as at 31 December 2012 is approximately US$5,032,258 (2011: Nil). Details of the assumptions used are disclosed in note 27. The directors believe that the chosen valuation techniques and assumptions are appropriate in determining the fair value of financial instruments.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to equity holders through the optimisation of the debts and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts, which includes convertible notes disclosed in note 27, net of cash and cash equivalents disclosed in note 24 and equity attributable to owners of the Company, comprising issued share capital, share premium and reserves. The Group relies mainly on the equity financing from the owners of the Company.

The directors of the Company review the capital structure on a regular basis by considering the cost of capital and the risks associate with the capital. Based on recommendation of directors, the Group will balance its overall capital structure through, new share issues and share buy-backs as well as the issue of new debts and the redemption of existing debts.

7. FINANCIAL INSTRUMENTS

7a. Categories of financial instruments

	2012 **US$**	2011 US$
Financial assets		
Loans and receivables (including cash and cash equivalents)	**1,755,582**	1,218,622
Financial liabilities		
Amortised cost	**5,660,481**	1,402,090
Derivative financial instruments	**5,032,258**	—

7b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances, trade and other payables, amount due to a related company, amount due to a director, derivative financial instruments and convertible notes. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (represented by currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

7. FINANCIAL INSTRUMENTS *(Continued)*

7b. Financial risk management objectives and policies *(Continued)*

Market risk

(i) Currency risk

Certain bank balances, other receivables, other payables, derivative financial instruments of convertible notes and convertible notes of the Group are denominated in foreign currency, which expose the Group to foreign currency risk. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		**Assets**	
	2012	2011	**2012**	2011
	US$	US$	**US$**	US$
Hong Kong dollar	**3,911,283**	375,086	**3,758**	6,884
Renminbi	**—**	—	**427**	—

The Group does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

In the management's opinion, the Group does not have significant exposure to the fluctuation in United States dollar against Renminbi, so no sensitivity analysis is presented.

For the exposure to the fluctuation in United States dollar against Hong Kong dollar, as Hong Kong dollar was pegged to United States dollar, the management is of opinion that such exposure is insignificant and no sensitivity analysis is presented.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in related to convertible notes (see note 27).

The Group is also exposed to cash flow interest rate risk in relation to the bank balances due to the fluctuation of the prevailing market interest rates for both years.

The Group currently does not have any interest rate hedging policy in relation to fair value and cash flow interest rate risks. The directors monitor the Group's exposure on ongoing basis and will consider hedging interest rate risk should the need arise. The Group's cash flow interest rate risk is mainly sensitive to the fluctuation of interest rate arising from the Group's bank balances.

7. FINANCIAL INSTRUMENTS *(Continued)*

7b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(ii) Interest rate risk *(Continued)*

Sensitivity analysis

For the years ended 31 December 2012 and 2011, the Group's cash flow interest rate risk is only related to the impact of prevailing market interest rate change on bank balances which are all short-term in nature. Therefore, any future variations in interest rates will not have a significant impact on the result of the Group. Accordingly, no sensitivity analysis is performed for the years ended 31 December 2012 and 2011.

(iii) Other price risk

The Group is required to estimate the fair value of the derivative component of convertible notes at the end of the reporting date with changes in fair value to be recognised in the consolidated statement of comprehensive income as long as the convertible notes are outstanding. The fair value adjustment will be affected either positively or negatively, amongst others, by the changes in market interest rate, the Company's share market price and share price volatility.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk and volatility risk arising from derivative component of convertible notes at the end of the reporting period only as the directors of the Company consider that the change in market interest rate may not have significant financial impact on the fair value of derivative component of convertible notes.

(i) Changes in share price

If the Company's share price had been 5% higher/lower and all other receivables were held constant, the Group's loss for the year (as a result of changes in fair value of derivative component of convertible notes) would increase/decrease by US$353,000 (2011: Nil).

(ii) Changes in volatility

If the volatility of the Company's share price had been 5% higher/lower while all other variables were held constant, the Group's loss for the year ended 31 December 2012 (as a result of changes in fair value of derivative component of convertible notes) would increase/decrease by US$58,000 (2011: Nil).

In management's opinion, the sensitivity analysis is unrepresentative of the other price risk as the year end exposure does not reflect the exposure during the year. In addition, certain variables used in option pricing model are interdependent and the analysis does not reflect the effect of interdependency between these variables.

7. FINANCIAL INSTRUMENTS *(Continued)*

7b. Financial risk management objectives and policies *(Continued)*

Credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, management of the Group has delegated a team responsible for monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts.

The credit risk on bank balances is limited because the counterparties are reputable banks in the PRC and Hong Kong.

As at 31 December 2012, the Group has concentration of credit risk as the total trade receivables was due from the Group's two largest customers in the trading business segment. The management is of the view that these trade receivables of the Group have good track records without default history and considers that the trade receivables from these two customers are recoverable. In order to minimise the credit risk, management continuously monitors the level of exposure to ensure that follow-up actions and/or corrective actions are taken promptly to lower the risk exposure or to recover overdue balances.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The directors of the Company are taking active steps to improve the liquidity position of the Group and the Group should be able to continue as a going concern, details of which are set out in note 2.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

7. FINANCIAL INSTRUMENTS *(Continued)*

7b. Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity risk tables

2012

	Weighted average interest rate %	Less than 1 month on or demand US$	1 to 3 months US$	3 months 1 year US$	1 to 5 years US$	Total undiscounted cash flows US$	Carrying amount at 31/12/2012 US$
Trade payables	—	1,326,484	—	—	—	1,326,484	1,326,484
Amount due to a related company	5	—	—	—	443,849	443,849	422,714
Amount due to a director	5	—	—	—	375,806	375,806	357,911
Convertible notes (excluded derivative financial instruments) (note)	—	—	—	—	5,910,000	5,910,000	3,553,372
		1,326,484	—	—	6,729,655	8,056,139	5,660,481

2011

	Weighted average interest rate %	Less than 1 month on or demand US$	1 to 3 months US$	3 months 1 year US$	1 to 5 years US$	Total undiscounted cash flows US$	Carrying amount at 31/12/2011 US$
Other payables	–	637,255	–	–	–	637,255	637,255
Amount due to a related company	–	389,029	–	–	–	389,029	389,029
Amount due to a director	–	375,806	–	–	–	375,806	375,806
		1,402,090	–	–	–	1,402,090	1,402,090

Note: The undiscounted cash flows of convertible notes are presented based on the assumption that the Company will not early redeem the outstanding convertible notes before the maturity date.

7. FINANCIAL INSTRUMENTS *(Continued)*

7c. Fair value

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

- the fair value of derivative component of convertible notes is measured using the binomial model.
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis;

The directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Fair value measurements recognised in the consolidated statement of financial position

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market 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).
- 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).

	Level 1	**Level 2**	**Level 3**	**Total**
	US$	**US$**	**US$**	**US$**
2012				
Financial liabilities				
Derivative component of convertible notes	—	—	5,032,258	5,032,258

There were no transfer between instruments in level 1 and level 2 in both years.

7. FINANCIAL INSTRUMENTS *(Continued)*

7c. Fair value *(Continued)*

Fair value measurements recognised in the consolidated statement of financial position *(Continued)*

Reconciliation of Level 3 fair value measurement of derivative component of convertible notes is as follow:

	Derivative components of convertible notes
	US$
Issue of convertible notes	**4,903,226**
Fair value change	**129,032**
At 31 December 2012	**5,032,258**

8. SEGMENT INFORMATION

Information reported to the Company's executive directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of services provided. Previously, the Group was involved in manufacturing of rigid PCB and rigid PCB assembly (collectively "PCB operations"). As set out in note 14, the PCB operations were discontinued with effect from 30 March 2011 to realign the Group's business focus and resources in the CMMB business in line with the Group's latest business strategy.

In the past, since the discontinuation of PCB operations, there was only one single operating segment in the internal reporting to the Company's executive directors and the Company's executive directors review the Group's results for the year and total assets from the continuing operations as a whole, which mainly represent CMMB business.

During the year ended 31 December 2012, the Group expanded its agency service relating to trading of PCB materials ("Trading business").

Subsequent to the expansion of the agency service in the current year, the Company's executive directors, for the purpose of resources allocation and assessment of segment performance, focus on types of services provided, being CMMB business and Trading business. Accordingly, the comparative figures have been represented. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

The Group's reportable and operating segments under HKFRS 8 are as follows:

1. CMMB business - Provision of CMMB services relating to transmission and broadcasting of television programs.

2. Trading business - Provision of agency services relating to trading of PCB materials

On 14 September 2012, the Group acquired CMMB Vision (USA) in order to develop a convergent CMMB-Long Term Evolution ("CMMB-LTE") network and offer nationwide services in the USA for CMMB business. The results as well as the related assets and liabilities of CMMB Vision (USA) have been included under CMMB business.

8. SEGMENT INFORMATION *(Continued)*

The following is an analysis of the Group's revenue and results by operating and reportable segments:

For the year ended 31 December 2012

	CMMB business US$	Trading business US$	Total US$
Continuing operations			
Segment revenue	**149,197**	**117,030**	**266,227**
Segment (loss) profit	**(7,077,245)**	**19,357**	**(7,057,888)**
Other income			**80**
Unallocated expenses			**(1,879,763)**
Share-based payments expense to consultants			**(1,677,690)**
Loss for the year			**(10,615,261)**

For the year ended 31 December 2011

	CMMB business US$
Continuing operations	
Segment revenue	–
Segment loss	(2,122,181)
Other income	25,275
Unallocated expenses	(2,668,504)
Loss on fair value change of forward contract	(10,529,926)
Share-based payments expense to consultants	(1,133,276)
Loss for the year	16,428,612

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment loss represents the loss from each segment without allocation of other income, central administration expenses, certain legal and professional fee, directors' remuneration, loss on fair value change of forward contract and share-based payments expense to consultants. This is the measure reported to Company's executive directors for the purposes of resources allocation and performance assessment.

8. SEGMENT INFORMATION *(Continued)*

Segment assets

	2012	2011
	US$	US$
Continuing operations		
CMMB business	**24,416,858**	1,775,098
Trading business	**927,755**	—
Total segment assets	**25,344,613**	1,775,098
Unallocated		
– Property, plant and equipment	**11,829**	35,061
– Other receivables	**5,447**	902,809
– Bank balances and cash	**822,877**	315,813
Consolidated assets	**26,184,766**	3,028,781

Segment liabilities

	2012	2011
	US$	US$
Continuing operations		
CMMB business	**8,585,630**	—
Trading business	**1,326,484**	—
Total segment liabilities	**9,912,114**	—
Unallocated		
– Accruals	**554,786**	579,584
– Other payables	**—**	637,255
– Amount due to a related company	**422,714**	389,029
– Amount due to a director	**357,911**	375,806
Consolidated liabilities	**11,247,525**	1,981,674

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

- segment assets include certain interests in associates, prepayments, intangible assets and trade receivables; and
- segment liabilities include trade payables, convertible notes and derivative financial instruments.

8. SEGMENT INFORMATION *(Continued)*

Other segment information

	CMMB business US$	Trading business US$	Total US$
Amounts included in the measure of segment profit or loss or segment assets:			
Year ended 31 December 2012			
Continuing operations			
Addition to intangible assets	**24,507,593**	**—**	**24,507,593**
Amortisation	**527,723**	**—**	**527,723**
Impairment loss recognised on an intangible asset	**1,334,185**	**—**	**1,334,185**
Loss on acquisition of intangible assets	**4,861,135**	**—**	**4,861,135**
Change in fair value of financial derivative instruments	**129,032**	**—**	**129,032**
Effective interest expense on convertible notes	**198,533**	**—**	**198,533**
Year ended 31 December 2011			
Continuing operations			
Addition to intangible assets	1,532,893	—	1,532,893
Amortisation	28,387	—	28,387
Loss on acquisition of intangible assets	1,095,362	—	1,095,362
Research costs	898,974	—	898,974
Impairment loss reversed on trade and other receivables, net	—	214,242	214,242

Geographical information

The Group principally operates in the USA (country of domicile of the operating subsidiaries) for CMMB business and in Taiwan for Trading business. Nearly all non-current assets of the Group are located in the USA except for insignificant non-current assets (such as office equipment and motor vehicles in Hong Kong office) are located in Hong Kong.

8. SEGMENT INFORMATION *(Continued)*

Geographical information *(Continued)*

Information about the Group's revenue from continuing operations from external customers is presented based on the location of the operations.

	Revenue from external customers	
	2012	2011
	US$	US$
USA	**149,197**	—
Taiwan	**117,030**	—
	266,227	—

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2012	2011
	US$	US$
Customer A	**149,197**	—
Customer B	**64,525**	—
Customer C	**39,924**	—

Note: Customer A under CMMB business, Customer B and Customer C under trading business did not contribute over 10% of the Group's total revenue for the year ended 31 December 2011.

9. REVENUE

Revenue represents the net amounts received and receivable for services provided by the Group in the normal course of business to outside customers, net of related taxes for the year.

Revenue of the Group is analysed as follows:

	2012	2011
	US$	US$
Provision of agency services (note 1)	**117,030**	—
Provision of CMMB services (note 2)	**149,197**	—
	266,227	—

9. REVENUE *(Continued)*

Notes:

(1) The Group carries out the agency services relating to procurement and distribution of PCB materials and generate agency income after the discontinuation of PCB operations as set out in note 14. For the year ended 31 December 2011, the income generated from provision of agency services is not significant and recognised as other income.

During the current year, the management considered that agency income derived from the provision of agency services relating to PCB materials constituted as revenue of one of the Group's principal activities due to the expansion of such agency service to be recurring in nature. Therefore, the related agency income has been recorded as revenue for the year ended 31 December 2012.

(2) CMMB services represent the service income relating to the air time and transmission services provided and the channels broadcasting in New York City subsequent to the acquisition of CMMB Vision (USA) during the year ended 31 December 2012.

10. OTHER INCOME

	2012 US$	2011 US$
Continuing operations		
Interest income	**36**	71
Agency service income	**—**	21,677
Others	**44**	3,527
	80	25,275

11. OTHER GAINS AND LOSSES

	2012 US$	2011 US$
Continuing operations		
Impairment loss recognised on an intangible asset (note 21)	**(1,334,185)**	—
Impairment loss reversed on trade and other receivables, net	**—**	214,242
Loss on fair value change of forward contract (note 22)	**—**	(10,529,926)
Loss on acquisition of an intangible asset (note 34)	**(4,861,135)**	(1,095,362)
Change in fair value of derivative component of convertible notes (note 27)	**(129,032)**	—
	(6,324,352)	(11,411,046)

12. FINANCE COSTS

	2012	2011
	US$	US$
Continuing operations		
Effective interest expense on convertible notes	**198,533**	—
Imputed interest on an amount due to a related party	**57**	—
Imputed interest on an amount due to a director	**48**	—
Interest on bank overdrafts wholly repayable within five years	**—**	73
	198,638	73

13. TAXATION

No provision for Hong Kong Profits Tax, Taiwan Income Tax and USA Income Tax has been made as the Group has no assessable profit arising in Hong Kong and Taiwan for both years and the USA for the year ended 31 December 2012.

Taiwan Income Tax is calculated at a prevailing rate of 17% for both years. No provision for Taiwan Income Tax has been made as the Group did not have any assessable profit arising in Taiwan for both years.

Taxation arising in the USA is calculated at a prevailing rate of 40.7% for the year ended 31 December 2012. No provision for Federal Income Tax and State and Local Income Tax has been made as the Group did not have any assessable profit arising in the USA for the year ended 31 December 2012.

Under the law of the PRC on Enterprise Income Tax (the "EIT law") and the Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries of the Company is 25% from 1 January 2008 onward. No provision for PRC income tax has been made in the consolidated financial statements as all of the PRC subsidiaries did not have taxable income for both years.

13. TAXATION *(Continued)*

The taxation for the year can be reconciled to the loss for the year from continuing operations as follows:

	2012	2011
	US$	US$
Loss for the year from continuing operations	**(10,615,261)**	(16,428,612)
Tax at the domestic income tax rate of 40.7% (2011: 25%) (note)	**(4,320,411)**	(4,107,153)
Tax effect of income not taxable for tax purpose	**(33)**	(6,318)
Tax effect of expenses not deductible for tax purpose	**3,723,487**	4,113,471
Tax effect of deductible temporary differences not recognised	**543,013**	—
Effect of different tax rates of subsidiaries operating in other jurisdictions	**53,944**	—
Taxation for the year relating to continuing operations	**—**	—

Note: The domestic income tax rate in the jurisdiction where the operation of the Group is substantially based is used and the change of the domestic income tax rate is as a result of the shift of operations to the USA after the completion of acquisition of CMMB Vision (USA) (see note 34(a)).

At the end of the reporting period, the Group has deductible temporary differences of US$1,334,185 (2011: Nil) relating to impairment loss recognised on an intangible asset. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

14. DISCONTINUED OPERATIONS

On 30 March 2011, the Company entered into a sale and purchase agreement in connection with the disposal of the entire interest in Global Technology International Limited (“GTI”) and its subsidiaries (including Global Flex (Suzhou) Limited (“Global Flex (Suzhou)”)) (collectively referred to as the “Disposal Group”) at a consideration of HK$1,000 (equivalent to approximately US$129), to a related company which is controlled by Mr. WONG Chau Chi. The Disposal Group carried out all of the Group’s manufacture and sale of rigid printed circuit boards and rigid printed circuit boards assembly. Details of the transactions are set out in a circular issued by the Company dated 12 October 2011.

Before the completion of this transaction, the People’s Court of Wuzhong in Suzhou of the PRC declared that Global Flex (Suzhou), a wholly-owned subsidiary of GTI, be liquidated as initiated by a bank creditor and appointed liquidators to take over the control of Global Flex (Suzhou) Limited as a result of its failure to implement the debt restructuring plan by repaying its liabilities. The Disposal Group lost control over Global Flex (Suzhou) on 2 December 2011. Upon deconsolidation, the investments in Global Flex (Suzhou) had been classified as an available-for-sale investment within the scope of HKAS 39. The acquirer agreed to continue to proceed the acquisition pursuant to the sale and purchase agreement even though Global Flex (Suzhou) was in the process of the liquidation (see note 33), and the disposal was completed on 9 December 2011 when control of the Disposal Group was passed to the acquirer, a related company which is controlled by Mr. WONG Chau Chi.

14. DISCONTINUED OPERATIONS *(Continued)*

The profit for the period from 1 January 2011 to 9 December 2011 from the discontinued operations is analysed as follows:

	1.1.2011 to 9.12.2011 US$
Profit from discontinued operations for the period	22,473,883

The results of the discontinued operations for the period from 1 January 2011 to 9 December 2011, which have been included in the consolidated statement of comprehensive income, were as follows:

	1.1.2011 to 9.12.2011 US$
Revenue	1,261,760
Cost of sales	(4,186,651)
Other income	367,212
Distribution and selling expenses	(98,947)
Administrative expenses	(1,220,024)
Other gains and losses	(1,444,053)
Gain on deconsolidation of a subsidiary (note 33)	29,535,692
Finance costs	(1,741,106)
Profit for the period	22,473,883

14. DISCONTINUED OPERATIONS *(Continued)*

	1.1.2011 to 9.12.2011 US$
Profit for the period from 1 January 2011 to 9 December 2011 from discontinued operations has been arrived at after charging (crediting)	
Staff costs, including directors' remuneration	
– Salaries and allowances	1,325,743
– Retirement benefit scheme contributions	43,769
Total staff costs	1,369,512
Cost of inventories recognised as expense	4,186,651
Depreciation of property, plant and equipment	1,074,101
Depreciation of investment property	149,023
Impairment loss recognised on trade and other receivables, net (Note i)	1,443,263
Interest on bank and other borrowings wholly repayable within five years	1,681,858
Interest on other payables wholly repayable within five years	59,248
Release of prepaid lease payments	19,622
Loss on disposal of property, plant and equipment (Note i)	790
Write-down of inventories included in cost of sales (Note ii)	78,678
Bank interest income	(2,605)
Net exchange loss, net	1,650
Gross rental income from investment property	(117,765)
Less: direct operating expenses incurred for investment property that generated rental income during the period/year	6,272

Note:

(i) The amounts were included in other gains and losses

(ii) During the year ended 31 December 2011, as the carrying amounts of certain inventories exceed their net realisable values, a written down of US$78,678 had been recognised.

During 2011, the Disposal Group contributed US$457,581 to the Group's net operating cash outflow, received US$158,963 in respect of investing activities and paid US$1,372,986 in respect of financing activities.

The carrying amounts of the assets and liabilities of Global Flex (Suzhou) at the date of deconsolidation and the Disposal Group at the date of disposal are disclosed in note 33.

15. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

	2012	2011
	US$	US$
Loss for the year from continuing operations has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
– Salaries and allowances	**307,632**	414,032
– Retirement benefit scheme contributions	**13,042**	5,675
Total staff costs	**320,674**	419,707
Share-based payments expense to consultants (included in other expenses)	**1,677,690**	1,133,276
Amortisation of intangible assets (included in cost of sales)	**357,402**	—
Amortisation of intangible assets (included in other expenses)	**170,321**	28,387
Legal and professional fee (included in other expenses) (note)	**526,861**	1,564,756
Auditor's remuneration	**154,839**	141,935
Depreciation of property, plant and equipment	**23,248**	13,891
Exchange loss (gain), net	**1,153**	(6,083)

Note: The amounts represented legal and professional fee payable to consultants, advisors and other professional parties.

16. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the 7 (2011: 8) directors of the chief executive were as follows:

	Directors							
	Wong Chau Chi US$	Chou Tsan Hsiung US$	Wang Wei-Lin US$	Li Shan US$	Liu Hui US$	Yang Yi US$	Li Jun US$	Total 2012 US$
Fees	–	–	–	–	–	–	–	–
Other emoluments								
Salaries and other benefits	92,739	–	–	–	–	–	–	92,739
Contributions to retirement benefits scheme	–	–	–	–	–	–	–	–
Performance related incentive payments	–	–	–	–	–	–	–	–
Share-based payments	–	–	–	–	–	–	–	–
Total emoluments	92,739	–	–	–	–	–	–	92,739

	Directors								
	Wong Chau Chi US$	Chou Tsan Hsiung US$	Wang Wei-Lin US$	Li Shan US$	Liu Hui US$	Yu Kam Kee, Lawrence US$ (note)	Yang Yi US$	Li Jun US$	Total 2011 US$
Fees	–	–	–	–	–	–	–	–	–
Other emoluments									
Salaries and other benefits	54,319	–	–	–	56,000	–	–	–	110,319
Contributions to retirement benefits scheme	–	–	–	–	–	–	–	–	–
Performance related incentive payments	–	–	–	–	–	–	–	–	–
Share-based payments	–	–	–	–	–	–	–	–	–
Total emoluments	54,319	–	–	–	56,000	–	–	–	110,319

Note: Yu Kam Kee, Lawrence resigned on 1 June 2011.

Mr. WONG Chau Chi is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

Six (2011: six) directors waived emoluments of US$139,320 (2011: US$139,320) during the year.

17. EMPLOYEES' REMUNERATIONS

Of the five individuals with the highest emoluments in the Group, one (2011: two) was director and the chief executive of the Company whose emoluments are included in the disclosures in note 16 above. The emoluments of the remaining four (2011: three) individuals were as follows:

	2012 US$	2011 US$
Salaries and other benefits	139,783	105,055
Contributions to retirement benefits scheme	1,763	1,548
	141,546	106,603

Their emoluments were within the following bands:

	2012 No. of employees	2011 No. of employees
HK$ nil to HK$1,000,000 (equivalent to US$ nil to US$129,000)	4	3

During both years, no emoluments were paid by the Group to these five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

18. DIVIDENDS

No dividend was paid, declared or proposed during both years, nor has any dividend been proposed since the end of the reporting period.

19. (LOSS) EARNINGS PER SHARE

For continuing and discontinued operations

The calculation of the basic and diluted (loss) earnings per share for the year is based on the following data:

	2012	2011
	US$	US$
(Loss) earnings		
(Loss) profit for the year attributable to owners of the Company for the purposes of basic and diluted (loss) earnings per share	**(9,900,497)**	6,055,207

	2012	2011
		(restated)
Number of shares (note)		
Weighted average number of ordinary shares for the purposes of basis and diluted (loss) earnings per share	**508,943,648**	363,665,840

Note: The weighted average of ordinary shares for the purposes of calculating basic and diluted (loss) earnings per share for the year ended 31 December 2011 have been retrospectively adjusted for the effect of share consolidation completed in September 2012 (note 28(ii)).

For the year ended 31 December 2012, the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options and the conversion of the outstanding convertible notes of the Company since the assumed exercise of those share options in 2012 would result in decrease in loss per share from continuing operations.

For the year ended 31 December 2011, the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options since the assumed exercise of those share options in 2011 would result in decrease in loss per share from continuing operations.

19. (LOSS) EARNINGS PER SHARE *(Continued)*

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations is based on the following data:

Loss per share from continuing operations attributable to the owners of the Company are calculated as follows:

	2012	2011
	US$	US$
(Loss) profit for the year	**(9,900,497)**	6,055,207
Less: Profit for the year from discontinued operations	**—**	(22,473,883)
Loss for the purposes of basic and diluted loss per share from continuing operations	**(9,900,497)**	(16,418,676)

The denominators used are the same as those detailed above for both basic and diluted (loss) earnings per share.

From discontinued operations

Basic and diluted earnings per share for the discontinued operations is US$0.062 (restated) based on the profit for the year from the discontinued operations of US$22,473,883 and the denominators detailed above for both basic and diluted earnings per share for the year ended 31 December 2011.

20. PROPERTY, PLANT AND EQUIPMENT

	Plant and buildings US$	Machinery and equipment US$	Motor vehicles US$	Office and other equipment US$	Total US$
COST					
At 1 January 2011	19,082,174	43,703,221	585,169	5,240,196	68,610,760
Exchange adjustments	987,306	2,230,480	28,989	267,750	3,514,525
Addition	16,246	17,109	—	128,624	161,979
Disposals	—	(1,165,075)	(214,017)	(128,113)	(1,507,205)
Deconsolidation of a subsidiary	(20,085,726)	(44,785,735)	(375,251)	(5,476,693)	(70,723,405)
At 31 December 2011	—	—	24,890	31,764	56,654
Exchange adjustments	—	—	—	316	316
At 31 December 2012	—	—	24,890	32,080	56,970
DEPRECIATION AND IMPAIRMENT					
At 1 January 2011	10,524,784	37,154,573	471,040	4,790,921	52,941,318
Exchange adjustments	552,222	1,913,470	23,985	251,995	2,741,672
Provided for the year	291,024	685,511	13,706	97,751	1,087,992
Eliminated on disposals	—	(1,023,030)	(184,232)	(140,107)	(1,347,369)
Eliminated on deconsolidation of a subsidiary	(11,368,030)	(38,730,524)	(312,054)	(4,991,412)	(55,402,020)
At 31 December 2011	—	—	12,445	9,148	21,593
Exchange adjustments	—	—	—	300	300
Provided for the year	—	—	4,977	18,271	23,248
At 31 December 2012	—	—	17,422	27,719	45,141
CARRYING VALUES					
At 31 December 2012	—	—	7,468	4,361	11,829
At 31 December 2011	—	—	12,445	22,616	35,061

20. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated on a straight line basis at the following rates per annum:

Plant and buildings	5%
Machinery and equipment	10%
Motor vehicles	20%
Office and other equipment	10-20%

21. INTANGIBLE ASSETS

	Contract acquisition costs US$	Licensing rights US$	Total US$
COST			
At 1 January 2011	—	—	—
Acquired through acquisition of a subsidiary (note 34(b))	—	1,532,893	1,532,893
At 31 December 2011	—	1,532,893	1,532,893
Acquired through acquisition of a subsidiary (note 34(a))	24,507,593	—	24,507,593
At 31 December 2012	24,507,593	1,532,893	26,040,486
AMORTISATION			
At 1 January 2011	—	—	—
Provided for the year	—	28,387	28,387
At 31 December 2011	—	28,387	28,387
Provided for the year	357,402	170,321	527,723
Impairment loss recognised in profit or loss (note)	—	1,334,185	1,334,185
At 31 December 2012	357,402	1,532,893	1,890,295
CARRYING VALUE			
At 31 December 2012	24,150,191	—	24,150,191
At 31 December 2011	—	1,504,506	1,504,506

21. INTANGIBLE ASSETS *(Continued)*

The licensing rights represent the exclusive international development and licensing right of CMMB technology registered in the PRC for providing turnkey solutions to develop and promote CMMB technology and business platform in markets outside of the PRC. The licensing rights have finite useful lives and are amortised on a straight line basis over the remaining licensing period of 9 years which approximates its economic useful life.

As disclosed in note 34(a), the contract acquisition costs represent costs incurred in acquiring a favourable lease agreement which provides the exclusive right of four UHF spectrum TV station network in New York City with total 24 MHz in bandwidth capable of operating 24 digital channels of terrestrial and mobile TV and video programs covering 12 million populations in the New York Metropolitan of New York State. The contract acquisition costs have finite useful lives and are amortised on a straight line basis over the remaining operating leasing period of 20 years under the lease contract entered into between CMMB Vision (USA) and New York Broadband Holding Inc., a related party, of which Mr. WONG Chau Chi has equity interest.

The licensing rights and contract acquisition costs will be expired in year 2020 and 2032, respectively.

During the year, the management conducted an impairment assessment on the intangibles assets as at 31 December 2012.

For the licensing rights, the actual results in the second half of 2012 did not meet the expected results, the directors of the Company revised the cash flows estimates as certain estimated cash flows from the licensing rights are no longer probable, the management recognised an impairment loss of US$1,334,185 (2011: Nil) in relation to licensing rights.

For the contract acquisition costs, the management determined there is no impairment loss is recognised for the year ended 31 December 2012 based on the FVLCTS by reference to the similar spectrum transacted in New York City after considering the lease terms and and relevant operating costs, as the management considered that the FVLCTS is higher than the carrying amount of contract acquisition costs.

22. INTERESTS IN ASSOCIATES

	2012 US$	2011 US$
Deemed cost of unlisted investments in associates:		
- Deposits paid during the year ended 31 December 2010	—	9,540,116
- Payment during the year ended 31 December 2011	—	989,810
- Loss on fair value change of forward contract	—	(10,529,926)
	—	—

On 2 September 2010, the Company entered into an equity transfer agreement with an independent third party, pursuant to which the Company (or its nominee) acquired 30% equity interest in 北京富學傳媒文化有限公司 ("Fuxue") and 30% equity interest in 北京德神傳動廣告有限責任公司 ("Deshen"), both companies established under the laws of the PRC, for a consideration of HK$81,606,926 (equivalent to US$10,529,926), which is payable as to HK$15,351,026 (equivalent to US$1,980,778) by way of cash and the balance of HK$66,255,900 (equivalent to US$8,549,148) by way of new issue of 530,047,200 shares in the Company's share capital at an issue price of HK$0.125 per share. As at 31 December 2010, deposits paid on acquisition of interests in associates of US$9,540,116 represented all the consideration shares issued and HK$7,680,002 (equivalent to US$990,968) of the cash consideration paid to the vendor. The remaining consideration of HK$7,671,024 (equivalent to US$989,810) was settled during 2011.

Details of the Group's associates as at 31 December 2012 and 2011 are as follows:

Name of associate	Country of registration and operation	Paid-up registered capital	Attributable equity interest held by the Group	Principal activity
Fuxue (note)	PRC	RMB3,000,000	30%	Provision of CMMB service
Deshen (note)	PRC	RMB500,000	30%	Provision of CMMB service

Note: These English names are for identification purpose.

The Group's associates recorded net liabilities at the date of acquisition and at the end of the reporting periods. In absence of legal or constructive obligations or making payments on behalf of that associate, no shares of losses of associates are recognised in both years.

22. INTERESTS IN ASSOCIATES *(Continued)*

The consideration paid on acquisition of Fuxue and Deshen was determined by reference to discounted cash flow analysis based on the Group's assumptions of prevailing market conditions associated with the estimated future cash flows expected to be generated from the associates at the time of signing the acquisition agreement, i.e. 2 September 2010. The agreement constitutes a forward contract to acquire investments in associates within the scope of HKAS 39 to account for it at fair value on initial recognition and at each of the subsequent reporting date, up till the date of acquisition. As at 31 December 2010, the directors of the Company considered the fair value of the forward contract to be financially insignificant.

The acquisition of Fuxue and Deshen has been completed in August 2011. The fair value of the relevant associates at the date of acquisition has been arrived at by reference to business valuations carried out on that date by an independent valuer, Roma Appraisals Limited, using business valuation techniques which involve certain assumptions of prevailing market conditions and apply a discount rate of 32.24% per annum and further adjusted for all outstanding debts at the date of acquisition. The resulting fair value (deemed cost) of unlisted investments at the date of completion is negligible and accordingly, a loss on fair value change of forward contract of US$10,529,926 was recognised in profit or loss as set out in note 11.

In 2010, Fuxue and Deshen signed service and cooperation agreements with China Broadcasting Company under the SARFT, respectively, to jointly develop and operate certain local CMMB projects in different PRC cities. Details of the acquisition of interests in associates are set out in the announcements of the Company dated 3 September 2010, 27 September 2010 and 18 October 2010. The significant loss on fair value of forward contract is mainly attributable to the change in business plans of the associates in 2011. The associates remained inactive during the year ended 31 December 2012.

23. TRADE AND OTHER RECEIVABLES

	2012	2011
	US$	US$
Trade receivables	**927,755**	—
Other receivables and deposits	**5,447**	902,809
Prepayments	**266,667**	270,592
Total trade and other receivables	**1,199,869**	1,173,401

The Group generally allows credit period of 60 days to its customers of CMMB business and Trading business.

There is no trade receivable under CMMB business as at 31 December 2012.

The trade receivables are due from two customers under Trading business as at 31 December 2012.

23. TRADE AND OTHER RECEIVABLES

The aged analysis of the trade receivables, presented based on invoice date, which approximated the respective revenue recognition dates, net of allowance for doubtful debts as at the end of the reporting period are as follows:

	2012	2011
	US$	US$
Trade receivables:		
0 - 30 days	**424,254**	—
31 - 60 days	**433,686**	—
61 - 90 days	**35,126**	—
91 - 120 days	**34,689**	—
	927,755	—

Before accepting any new customer, the Group has to assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed periodically. 92.5% of the trade receivables that are neither past date nor impaired as at 31 December 2012 have no default payment history.

Ageing of trade receivables which are past due but not impaired based on the past due date

	2012	2011
	US$	US$
0 - 30 days	**35,126**	—
31 - 60 days	**34,689**	—
	69,815	—

23. TRADE AND OTHER RECEIVABLES *(Continued)*

Movement in the allowance for trade receivables

	2012	2011
	US$	US$
Balance at beginning of the year	—	25,800,086
Exchange adjustments	—	1,310,690
Deconsolidation of a subsidiary	—	(28,339,797)
Impairment loss recognised	—	1,443,263
Reversal of impairment loss	—	(214,242)
Balance at end of the year	—	—

In determining the recoverability of a trade receivable, the Group considers the settlement received from the trade receivables from the date credit was initially granted up to the reporting date. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts. The Group has not provided for impairment loss as all of the past due trade receivable balance has been settled subsequently.

Movement in the allowance for other receivables

	2012	2011
	US$	US$
Balance at beginning of the year	—	1,297,964
Exchange adjustments	—	67,156
Deconsolidation of a subsidiary/disposal of subsidiaries	—	(1,365,120)
Balance at end of the year	—	—

The carrying amounts of the Group's trade and other receivables are all denominated in functional currencies of the relevant group entities at the reporting date for the year ended 31 December 2012 and 2011.

24. BANK BALANCES AND CASH

Bank balances carry interest at market rates which range from 0.01% to 0.36% (2011: 0.01% to 0.3%) per annum.

The carrying amounts of the Group's balances denominated in currencies other than financial currencies of the relevant group entities at the reporting date are as follows:

	2012	2011
	US$	US$
Hong Kong dollar	3,758	6,884
Renminbi	427	—

25. TRADE AND OTHER PAYABLES

The aged analysis of the trade payables as at the end of the reporting period, presented based on invoice date, are as follows:

	2012	2011
	US$	US$
Trade payables:		
0 - 90 days	1,296,331	—
91 - 120 days	30,153	—
	1,326,484	—
Accruals	554,786	579,584
Other payables	—	637,255
Total trade and other payables	1,881,270	1,216,839

The average credit period granted by its suppliers is 150 days.

All carrying amounts of the Group's trade and other payables are denominated in functional currencies of the relevant group entities at the reporting date.

26. AMOUNT DUE TO A RELATED COMPANY/AMOUNT DUE TO A DIRECTOR

(a) For the year ended 31 December 2012

On 31 December 2012, both the related party and Mr. WONG Chau Chi agreed not to demand repayment for at least twelve months from 31 December 2012. The amounts due to a related company and a director have been reclassified to non-current liabilities as at 31 December 2012.

The amounts represent advance to finance the operations of the Group and are non-interest bearing and unsecured. The related company is controlled by Mr. WONG Chau Chi. Accordingly, imputed interest of amounts due to the related party and Mr. WONG Chau Chi upon initial recognition of US$39,135 calculated at prevailing market rate has been charged to capital reserve as deemed contribution from a shareholder.

(b) For the year ended 31 December 2011

The amount is non-interest bearing, unsecured and repayable on demand. The related company is controlled by Mr. WONG Chau Chi.

27. CONVERTIBLE NOTES/DERIVATIVE FINANCIAL INSTRUMENTS OF CONVERTIBLE NOTES

On 14 September 2012, the Company issued a Hong Kong dollar denominated convertible notes with a principal amount of HK$45,785,596 (approximately US$5,910,000) ("Convertible Notes") to Chi Capital as part of the consideration for the acquisition of CMMB Vision (USA) as detailed in note 34(a). The maturity date of the Convertible Notes is 13 September 2015 ("CN Maturity Date") which is 3 years from the date of issue of the Convertible Notes. The Convertible Notes are not interest bearing and mature on CN Maturity Date at the principal amount. The Convertible Notes are convertible into shares at any time after the issuance up to, but excluding, the close of business on the CN Maturity Date at the conversion price of HK$0.33, subject to anti-dilutive adjustments ("CN Conversion Option"). The initial number of common shares of the Company issuable upon conversion is 138,744,230 shares, which represent 23.57% of the total number of common shares of the Company issued and outstanding as of the issue date of the Convertible Notes on a fully diluted basis.

The Company is entitled to an option to early redeem at anytime from 14 September 2012 to CN Maturity Date the whole or part of the principal outstanding amount of the Convertible Notes at principal amount. The fair value of redemption option ("CN Redemption Option") on 14 September 2012 and 31 December 2012 are insignificant.

The Convertible Notes contain a debt component and derivative component (including CN Conversion Option and CN Redemption Option). The CN Conversion Option is classified as a derivative financial liability as it will be settled other than by an exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments on the basis that the Convertible Notes are denominated in Hong Kong dollar, a foreign currency of the Company.

27. CONVERTIBLE NOTES/DERIVATIVE FINANCIAL INSTRUMENTS OF CONVERTIBLE NOTES *(Continued)*

The fair value of the Convertible Notes is HK$64,000,000 (approximately US$8,258,065) on the initial recognition date. On initial recognition, the debt component was recognised at fair value, calculated based on the present value of the principal amount plus accrued coupon interest over the expected life of the Convertible Notes. In subsequent periods, the debt component is carried at amortised cost using the effective interest method. The effective interest rate of the debt component is 20% per annum. The derivative component is measured at fair values at the date of issue and in subsequent periods with changes in fair value recognised in profit or loss.

The fair value of the CN Conversion Option is calculated based on a binomial model. The inputs used for the calculation of fair values of the CN Conversion Option are as follows:

	14 September 2012 (date of issuance)	**31 December 2012**
Share Price	**HK$0.46**	**HK$0.49**
Conversion Price	**HK$0.33**	**HK$0.33**
Risk-free rate	**0.25%**	**0.11%**
Option life	**3.0 years**	**2.7 years**
Dividend yield	**0%**	**0%**
Volatility	**70%**	**70%**

Risk free interest rate is estimated based on the yield of Hong Kong Government bond with a similar remaining tenure.

The volatility of the underlying shares during the life of the options was estimated based on average historical volatility of comparable companies for the year before the valuation date with lengths equal to the expected terms of the options.

The dividend yield was estimated with reference to the historical dividend payment record and the expected dividend payment in the next three years of the Company.

The movement of the Convertible Note debt component and CN Conversion Option are shown as follows:

	Debt component US$	**CN Conversion Option US$**	**Total US$**
At date of issuance	3,354,839	4,903,226	8,258,065
Effective interest expenses	198,533	—	198,533
Change in fair value of convertible notes	—	129,032	129,032
At 31 December 2012	3,553,372	5,032,258	8,585,630

28. SHARE CAPITAL

	Number of shares	Nominal value HK$	Shown as US$
Authorised:			
Ordinary shares of HK$0.01 each as at 1 January 2011 and 31 December 2011	50,000,000,000	500,000,000	
Share consolidation (note ii)	(45,000,000,000)	—	
Ordinary shares of HK$0.1 each as at 31 December 2012	5,000,000,000	500,000,000	
Issued and fully paid:			
Ordinary shares of HK$0.01 each as at 1 January 2011	3,438,144,000	34,381,440	4,436,315
Issue of new shares (note i)	1,060,078,000	10,600,780	1,367,842
Ordinary shares of HK$0.01 each as at 31 December 2011	4,498,222,000	44,982,220	5,804,157
Share consolidation (note ii)	(4,048,399,800)	—	—
	449,822,200	44,982,220	5,804,157
Issue of new shares (note iii)	149,687,588	14,968,758	1,931,453
Exercise of share options (note 31)	40,220,000	4,022,000	518,968
Ordinary shares of HK$0.1 each as at 31 December 2012	639,729,788	63,972,978	8,254,578

28. SHARE CAPITAL *(Continued)*

Notes:

(i) On 17 October 2011, the Company entered into a subscription agreement with subscribers for the subscription of an aggregate 687,628,000 new shares of the Company for an aggregate consideration of HK$30,943,260 (equivalent to US$3,992,677) at a subscription price of HK$0.045 per ordinary share representing a premium of approximately 12.5% to the closing market price of HK$0.04 per share of the Company on 17 October 2011. The proceeds from the shares issued are applied for financing the Group's working capital.

On 24 October 2011, the Company issued 372,450,000 new shares of the Company to acquire 65% equity interests in CMMB International Limited at an aggregate consideration of HK$11,173,500 (equivalent to US$1,441,742). The issue price represented the closing market price of HK$0.03 per share of the Company on 24 October 2011 (see note 34(b)).

(ii) On 7 September 2012, an extraordinary general meeting of the Company was held and the resolutions of the share consolidation of the Company involving consolidation of the number of shares on the basis that every ten issued and unissued shares consolidated into one consolidated share of HK$0.10 each were approved.

(iii) On 7 September 2012, an extraordinary general meeting of the Company was held and the resolutions of issuance of 149,687,588 new shares (as adjusted by the effect of share consolidation (note 28(ii))) of the Company for share consideration of HK$68,856,290 (equivalent to US$8,884,683) for the acquisition of 51% of equity interest of CMMB Vision (USA) were approved (see note 34(a)).

29. MERGER RESERVE

The merger reserve represents the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital of GTI acquired pursuant to a group reorganisation on 5 July 2005.

30. STATUTORY RESERVE

Pursuant to the relevant regulations applicable to foreign investment enterprises established in the PRC, certain PRC subsidiaries of the Company are required to transfer certain percent of its profit after taxation to the statutory reserve. The balances of the statutory reserve cannot be reduced except where approval is obtained from the relevant PRC authority to offset accumulated losses or increase capital. During the year, the Group transferred the statutory reserve to accumulated losses upon deconsolidation of a subsidiary as set out in note 33.

31. SHARE OPTION SCHEME

A share option scheme (the "Share Option Scheme") was adopted pursuant to a written resolution of the sole shareholder of the Company passed on 5 July 2005.

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contributions to the Group. All directors, employees, suppliers of goods or services, customers, persons or entities that provide research, development or other technological support to the Group, shareholders of any member of the Group, advisers or consultants of the Group and any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of the Group are eligible to participate in the Share Option Scheme.

The Share Option Scheme will remain in force for a period of 10 years after the date on which the Share Option Scheme is adopted.

The total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 10% of the shares of the Company in issue on 10 October 2005 (the "General Scheme Limit"). The Company may renew the General Scheme Limit with shareholders' approval provided that each such renewal may not exceed 10% of the shares in the Company in issue as at the date of the shareholders' approval.

During the year ended 31 December 2011, the General Scheme Limit was renewed and approved by the shareholders in an extraordinary general meeting held on 28 October 2011. As at 31 December 2012 and 2011, the total number of shares available for issue in respect thereof is 63,972,978 (as adjusted by the effect of share consolidation (note 28(ii))) and 449,822,200 shares, representing 10% of the total issued shares on 28 October 2011.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the shares in issue from time to time.

Unless approved by shareholders of the Company, the total number of shares issued and to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-months period shall not exceed 1% of the issued share capital of the Company for the time being.

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option. A nominal consideration of HK$1 is payable on acceptance of the grant of an option. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option, subject to the provisions for early termination thereof. Unless otherwise determined by the directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

31. SHARE OPTION SCHEME *(Continued)*

The subscription price for the shares under the Share Option Scheme will be a price determined by the directors, but shall not be less than the highest of (i) the closing price of shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

Details of the share options granted and outstanding under the Share Option Scheme during the year (as adjusted by the effect of the share consolidation as mentioned in note 28(ii)) were as follows:

					Number of share options							
Category	Date of grant	Exercise price HK$ (adjusted) (Note 1)	Vesting period	Exercise period	Outstanding at 1/1/2011	Granted during the year	Lapsed/ forfeited during the year	Outstanding at 31/12/2011 and 1/1/2012	Granted during the year	Exercised during the year	Lapsed/ forfeited during the year	Outstanding at 31/12/2012
Directors												
Wong Chau Chi, Charles	5 November 2009	1.28	Note 2	5 November 2009 to 4 November 2012	1,000,000	–	–	1,000,000	–	–	(1,000,000)	–
	23 February 2010	1.21	Note 2	23 February 2010 to 22 February 2013	1,675,000	–	–	1,675,000	–	–	–	1,675,000
Chou Tsan Hsiung	5 November 2009	1.28	Note 2	5 November 2009 to 4 November 2012	1,000,000	–	–	1,000,000	–	–	(1,000,000)	–
Li Jun	5 November 2009	1.28	Note 2	5 November 2009 to 4 November 2012	1,000,000	–	–	1,000,000	–	–	(1,000,000)	–
Wang Wei-Lin	5 November 2009	1.28	Note 2	5 November 2009 to 4 November 2012	200,000	–	–	200,000	–	–	(200,000)	–
Yu Kam Kee, Lawrence	5 November 2009	1.28	Note 2	5 November 2009 to 4 November 2012	200,000	–	(200,000)	–	–	–	–	–
Yang Yi	5 November 2009	1.28	Note 2	5 November 2009 to 4 November 2012	1,500,000	–	–	1,500,000	–	–	(1,500,000)	–
	24 November 2009	1.46	Note 2	24 November 2009 to 23 November 2012	500,000	–	–	500,000	–	–	(500,000)	–
Liu Hui	24 November 2009	1.46	Note 2	24 November 2009 to 23 November 2012	1,000,000	–	–	1,000,000	–	–	(1,000,000)	–
Li Shan	5 November 2009	1.28	Note 2	5 November 2009 to 4 November 2012	1,000,000	–	–	1,000,000	–	–	(1,000,000)	–
Total directors					9,075,000	–	(200,000)	8,875,000	–	–	(7,200,000)	1,675,000

31. SHARE OPTION SCHEME *(Continued)*

Category	Date of grant	Exercise price HK$ (adjusted) (Note 1)	Vesting period	Exercise period	Number of share options: Outstanding at 1/1/2011	Granted during the year	Lapsed/ forfeited during the year	Outstanding at 31/12/2011 and 1/1/2012	Granted during the year	Exercised during the year	Lapsed/ forfeited during the year	Outstanding at 31/12/2012
Employees	23 August 2007	4.70	23 August 2007 to 22 August 2010	23 August 2010 to 22 August 2011	333,333	–	(333,333)	–	–	–	–	–
	25 September 2009	1.19	Note 2	25 September 2009 to 23 November 2012	2,433,333	–	(1,883,333)	550,000	–	–	(550,000)	–
	24 November 2009	1.46	Note 2	24 November 2009 to 23 November 2012	380,500	–	(316,100)	64,400	–	–	(64,400)	–
	3 June 2010	1.21	Note 2	3 June 2010 to 2 June 2013	3,000,000	–	–	3,000,000	–	–	–	3,000,000
	18 June 2010	1.25	Note 2	18 June 2010 to 17 June 2013	1,351,000	–	–	1,351,000	–	–	–	1,351,000
Total Employees					7,498,166	–	(2,532,766)	4,965,400	–	–	(614,400)	4,351,000

31. SHARE OPTION SCHEME *(Continued)*

Category	Date of grant	Exercise price HK$ (adjusted) (Note 1)	Vesting period	Exercise period	Outstanding at 1/1/2011	Granted during the year	Lapsed/ forfeited during the year	Outstanding at 31/12/2011 and 1/1/2012	Granted during the year	Exercised during the year	Lapsed/ forfeited during the year	Outstanding at 31/12/2012
					Number of share options							
Consultants	25 September 2009	1.19	Note 2	25 September 2009 to 24 September 2012	3,900,000	–	–	3,900,000	–	–	(3,900,000)	–
	24 November 2009	1.46	Note 2	24 November 2009 to 23 November 2012	10,390,000	–	–	10,390,000	–	–	(10,390,000)	–
	23 February 2010	1.21	Note 2	23 February 2010 to 22 February 2013	269,500	–	–	269,500	–	–	–	269,500
	3 June 2010	1.21	Note 2	3 June 2010 to 2 June 2013	20,400,000	–	–	20,400,000	–	–	–	20,400,000
	18 June 2010	1.25	Note 2	18 June 2010 to 17 June 2013	2,000,000	–	–	2,000,000	–	–	–	2,000,000
	23 November 2011	0.4	Note 2	23 November 2011 to 22 November 2014	–	44,982,220	–	44,982,220	–	(37,480,000)	–	7,502,220
	19 November 2012	0.5	Note 2	19 November 2012 to 18 November 2015	–	–	–	–	45,000,000	(2,740,000)	–	42,260,000
Total consultants					36,959,500	44,982,220	–	81,941,720	45,000,000	(40,220,000)	(14,290,000)	72,431,720
Total					53,532,666	44,982,220	(2,732,766)	95,782,120	45,000,000	(40,220,000)	(22,104,400)	78,457,720
Exercisable at the end of the year								95,782,120				78,457,720
Weighted average exercise price (HK$)					1.30	0.4	1.70	0.9	0.52	0.41	1.36	0.76

Notes:

1. The exercise price and number of options outstanding at 1 January 2011 have been adjusted in accordance with the share consolidation.

2. The share options were vested immediately on the date of grant.

31. SHARE OPTION SCHEME *(Continued)*

During the year ended 31 December 2012 and 2011, share options of 45,000,000 and 44,982,220 (restated) were granted on 19 November 2012 and 23 November 2011 to the consultants, respectively. The consultants are engaged for improving the system of CMMB-LTE technology due to the uniqueness of the service received, fair value cannot be measured reliably and the fair value of the option is therefore determined at the dates of grant using the Black-Scholes option pricing model were HK$13,002,098 (equivalent to US$1,677,690) and HK$8,872,885 (equivalent to US$1,133,276), respectively. For both years, the consultants provide consultancy services rendered for development of CMMB business and seek for new investment opportunities in CMMB business.

The following assumptions were used to calculate the fair values of share options granted:

During the year ended 31 December 2012

	19 November 2012
Grant date share price	HK$0.50
Exercise price	HK$0.52
Expected volatility (note)	90.40%
Expected life	3 years
Expected dividend yield	zero
Risk-free rate of interest	0.187%

During the year ended 31 December 2011

	23 November 2011 (Restated)
Grant date share price	HK$0.37
Exercise price	HK$0.40
Expected volatility (note)	79.82%
Expected life	3 years
Expected dividend yield	zero
Risk-free rate of interest	5%

Note: Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

31. SHARE OPTION SCHEME *(Continued)*

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

The Group has recognised total expenses in statement of comprehensive income of US$1,677,690 (2011: US$1,133,276) related to equity-settled share-based payment transactions during the year.

32. CAPITAL RESERVE

Capital reserve represents (i) the capital contribution from a shareholder of the Company through the shares granted by a shareholder to the employees of the Company during the year ended 31 December 2006 and 2008, (ii) deemed capital contribution from a shareholder upon disposal of subsidiaries as set out in note 33 and (iii) deemed capital contribution from a shareholders regarding the non-interest bearing advances.

33. DECONSOLIDATION OF A SUBSIDIARY/DISPOSAL OF SUBSIDIARIES

As set out in note 14, the Group discontinued its manufacture and sale of rigid printed circuit boards and rigid printed circuit boards assembly in March 2011 and completed the disposal of subsidiaries within the Disposal Group on 9 December 2011.

Before the completion of the disposal, on 2 December 2011, the People's Court of Wuzhong in Suzhou of the PRC declared that Global Flex (Suzhou) be liquidated as initiated by a bank creditor and appointed liquidators to take over the control of Global Flex (Suzhou) as a result of its failure to implement the debt restructuring plan by repaying its liabilities.

Upon the appointment of liquidators on 2 December 2011, the Disposal Group lost control of Global Flex (Suzhou) and no longer had controlling power to govern the financial and operating policies of Global Flex (Suzhou) so as to obtain benefit from its activities. Accordingly, the Group deconsolidated Global Flex (Suzhou) from 2 December 2011 and recognised a gain on deconsolidation of US$29,535,692. Upon deconsolidation, the investments in Global Flex (Suzhou) had been classified as an available-for-sale investment within the scope of HKAS 39. In view of the net liabilities position of Global Flex (Suzhou), the directors consider that the fair value of such available-for-sale investments upon initial recognition and at the date of disposal is negligible.

After deconsolidation of Global Flex (Suzhou), a gain on disposal of Disposal Group to a related company which is controlled by Mr. WONG Chau Chi, amounting to US$397,309, was recognised as deemed contribution from a shareholder under capital reserve as set out in note 32.

33. DECONSOLIDATION OF A SUBSIDIARY/DISPOSAL OF SUBSIDIARIES *(Continued)*

The net liabilities of Global Flex (Suzhou) at the date of deconsolidation and the Disposal Group at the date of disposal were as follows:

	Deconsolidation of Global Flex (Suzhou) as at 2 December 2011 US$ (Note)	Disposal of Disposal Group as at 9 December 2011 US$
Analysis of assets and liabilities over which control was lost:		
Property, plant and equipment	15,321,385	—
Prepaid lease payments	737,835	—
Investment property	1,892,126	—
Available-for-sale investments	28,929	—
Bank balances and cash	67,289	61,043
Trade and other payables	(21,542,733)	(458,223)
Amount due to a related company	(59,795)	—
Other borrowings	(608,096)	—
Bank borrowings	(25,372,632)	—
Net liabilities disposed/deconsolidated of	(29,535,692)	(397,180)
Gain on deconsolidation of a subsidiary/disposal of subsidiaries		
Consideration received - cash	—	129
Net liabilities disposal of	29,535,692	397,180
	29,535,692	397,309
Net cash outflow arising on deconsolidation/disposal		
Cash consideration	—	129
Less: Bank balances and cash deconsolidated/disposed of	(67,289)	(61,043)
	(67,289)	(60,914)

Note: The liquidation procedure has not yet been completed by the liquidators as at 30 April 2012. The assets and liabilities of Global Flex (Suzhou) at the date of deconsolidation were subject to final approval by the creditors and the People's Court of Wuzhong in Suzhou of the PRC.

The impacts of the Disposal Group on the Group's results and cash flows in the prior year are disclosed in note 14.

34. ACQUISITION OF AN ASSET THROUGH ACQUISITION OF A SUBSIDIARY

(a) During the year ended 31 December 2012

On 14 September 2012, the Group acquired 51% of the issued share capital of CMMB Vision (USA) from Chi Capital by way of issue of 149,687,588 new shares and HK$45,785,596 (equivalent to US$5,910,000) of convertible notes. The fair value of the shares and convertible notes of the Company, determined using the published price available at the date of acquisition and assumptions as disclosed in note 27 respectively, at the date of the acquisition amounted to HK$68,856,290 and HK$64,000,000 (equivalent to US$8,884,683 and US$8,258,065), respectively.

Before the acquisition, CMMB Vision (USA) has entered into an asset purchase option and ancillary spectrum lease agreement ("Lease Agreement") with a related party, of which Mr. WONG Chau Chi holds 25% of equity interest. CMMB Vision (USA) has been granted for an option to purchase the ancillary spectrum during the lease period at US$1,000 subject to the approval of Federal Communications Commission ("FCC") and an exclusive operating right of CMMB trial network and four terrestrial TV stations in New York for a minimum of 20 years at a consideration of US$100 per month under the lease. The management of the Company considers the fair value of the asset purchase option is insignificant as the ownership transfer of the ancillary spectrum is prohibited under the regulations of FCC.

CMMB Vision (USA) was acquired so as the Group is entitled to use the operating rights of CMMB trial network and four terrestrial TV stations in New York under the Lease Agreement to develop a convergent CMMB-LTE network and offer nationwide services in the USA. At the date of acquisition, CMMB Vision (USA) only held the Lease Agreement and remained inactive. The acquisition is accounted for as an acquisition of an intangible asset, being the favourable lease agreement, and the associated liability.

Asset acquired and liability recognised at the date of acquisition are as follows:

	US$
Intangible assets	24,507,593
Amount due to a related company (note)	(425,998)
Net assets	24,081,595
Less: Non-controlling interests	(11,799,982)
Net assets attributable to owners of the Company	12,281,613

Note: The related company is controlled by Mr. Wong Chai Chi.

34. ACQUISITION OF AN ASSET THROUGH ACQUISITION OF A SUBSIDIARY *(Continued)*

(a) During the year ended 31 December 2012 *(continued)*

The fair values of these intangible assets at the date of acquisition have been arrived at on the basis of fair value by reference to the valuation performed by an independent valuer, Roma Appraisals Limited, using market approach valuation techniques which by reference to the latest market transactions in New York after considering the lease terms and relevant operating costs. The fair value of the net assets of US$12,281,613, is less than the aggregate fair value of shares and convertible notes issued of US$8,884,683 and US$8,258,065 as at the acquisition date, respectively, and accordingly a loss on acquisition of intangible assets of US$4,861,135, which represented the difference between the fair value of shares and convertible notes issued and the fair value of any identifiable assets was recognised in profit and loss at the date of acquisition as set out in note 11.

The non-controlling interests (49%) in CMMB Vision (USA) recognised at the acquisition date was measured by reference to the share of net asset of the non-controlling interests and amounted to US$11,799,982. This net asset value was estimated by reference to the similar transactions of spectrum in New York City after considering the lease terms and relevant operating costs.

(b) During the year ended 31 December 2011

On 25 October 2011, the Group acquired 49% and 16% of the issued share capital of CMMB International Limited from an independent third party and Chi Capital Holdings Limited by way of issue of 280,770,000 and 91,680,000 new shares, respectively. The fair value of the shares of the Company, determined using the published price available at the date of the acquisition, amounted to a total of HK$11,173,500 (equivalent to US$1,441,742).

CMMB International Limited was acquired so as to obtain the intangible assets which provide turnkey solutions to develop and promote CMMB technology and business platform in markets outside of the PRC.

Asset acquired and liability recognised at the date of acquisition are as follows:

	US$
Intangible assets	1,532,893
Amount due to a related company (note)	(500,000)
Other payables	(500,000)
Net assets	532,893
Less: Non-controlling interests	(186,513)
Net assets attributable to owners of the Company	346,380

Note: A related company is controlled by Mr. WONG Chau Chi.

34. ACQUISITION OF AN ASSET THROUGH ACQUISITION OF A SUBSIDIARY *(Continued)*

(b) During the year ended 31 December 2011 *(continued)*

At the date of acquisition, CMMB International Limited only held licencing rights and remained inactive. The fair values of these intangible assets at the date of acquisition have been arrived at on the basis of business valuations carried out on that date by an independent valuer, Roma Appraisals Limited, using business valuation techniques which involve certain assumptions of prevailing market conditions and apply a discount rate of 45.42% per annum. The fair value of the net assets of US$346,380 is less than the fair value of shares issued of US$1,441,742 as at the acquisition date, and accordingly a loss on acquisition of intangible assets of US$1,095,362 which represented the difference between the fair value of shares issued and the fair value of any identifiable assets was recognised in profit or loss at the date of acquisition as set out in note 11.

35. MAJOR NON-CASH TRANSACTIONS

(a) As set out in note 34(a), the Group acquired 51% of the issued share capital of CMMB Vision (USA) by way of issue of 149,687,588 new shares and convertible notes with a principal amount of HK$45,785,596 during the year ended 2012.

(b) As set out in note 34(b), the Group acquired 65% of the issued share capital of CMMB International Limited by way of issue of 372,450,000 new shares at a consideration of HK$11,173,500 (equivalent to US$1,441,742) during the year ended 2011.

(c) During the year ended 31 December 2011, proceeds of US$159,046 from disposal of property, plant and equipment with aggregate carrying amounts of US$159,046 are set off against other payables.

36. OPERATING LEASES

The Group as lessee

Minimum lease payments paid under operating leases of an office and site premises for the installation and operation of TV transmission antenna and related transmission equipment and the spectrum were US$490,598 (2011: US$484,262) and US$47,600 (2011: Nil) respectively.

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases with New York Broadband Holding Inc., a related party, which fall due as follows:

	2012 **US$**	2011 US$
Within one year	**154,884**	—
In the second to fifth years inclusive	**317,300**	—
Over five years	**16,900**	—
	489,084	—

36. OPERATING LEASES *(Continued)*

The Group as lessee *(continued)*

Operating lease payments solely represent leases payable by the Group for site premises for the installation and operation of TV transmission antenna and related transmission equipment and the spectrum. Lease terms are negotiated for a term ranged from one to twenty years with fixed rentals.

37. CAPITAL COMMITMENTS

	2012	2011
	US$	US$
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of:		
- Subsidiaries (note 39(a))	—	12,281,613

38. RETIREMENT BENEFIT SCHEME

(a) Mandatory Provident Fund

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

Both the Group and the employee contribute a fixed percentage of the relevant payroll, subject to a maximum contribution of HK$1,000 (approximately US$130) from 1 January 2012 to 31 May 2012 and HK$1,250, which is effective from 1 June 2012, (approximately US$160) (2011: HK$1,000 (approximately US$130)) to the MPF Scheme.

(b) Social security and benefits for PRC employees

In accordance with the relevant PRC rules and regulations, the PRC subsidiaries are required to establish defined contribution plans managed by the relevant local government bureau in the PRC and to make contributions to the plan for its eligible employees. The contribution borne by the Group is calculated according to the level regulated by the municipal government.

The total cost charged to profit or loss of US$13,042 (2011: US$49,444) represents contributions payable to these schemes by the Group in respect of the current year. As at 31 December 2012, contributions of US$988 (2011: US$3,745) due in respect of the reporting period had not been paid over to the scheme.

39. RELATED PARTY DISCLOSURES

Save as disclosed above for those related party balances at the end of the reporting period, the Group had the following significant transactions with related parties during the year:

Nature of transactions	**Nature of transactions**	**2012**	2011
		US$	US$
Chi Capital Partners Limited	Rental paid	**480,124**	480,124
	Consultancy fee paid	**—**	61,935
New York Broadband Holding Inc.	Rental paid	**47,600**	—

(a) The Group entered into sale and purchase agreement dated 22 November 2011 and two supplemental agreements dated 30 May 2012 and 14 September 2012, respectively to acquire the operating rights of CMMB total network and four terrestrial TV stations in New York through acquisition of 51% of the issue share capital of CMMB Vision (USA) from Chi Capital as set out in note 34(a).

(b) The Group entered into sale and purchase agreement dated 24 December 2010 and supplemental agreement dated 16 February 2011 to acquire a licensing right of CMMB technology through acquisition of 49% and 16% of the issued share capital of CMMB International Limited from an independent third party and from Chi Capital Holdings Limited, respectively, as set out in note 34(b).

Compensation of key management personnel

The remuneration of key management personnel of the Company during the year were as follows:

	2012	2011
	US$	US$
Short-term benefits	92,739	110,319

The emoluments of key management personnel are determined by the remuneration committee having regard to the performance of individuals and market trends.

40. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries as at 31 December 2012 and 2011 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operations	Class of share held	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/ paid up capital held by the Company				Principal activities
				Directly		Indirectly		
				2012	2011	**2012**	2011	
Global Flex Trading Center Limited	Samoa/Taiwan	Ordinary	** US$2,000,000	**100%**	100%	**–**	–	Provision of agency services
Glactic Venture Holdings Limited	British Virgin Islands	Ordinary	US$1	**100%**	100%	**–**	–	Investment holding
Grand Regal Capital Limited	British Virgin Islands	Ordinary	US$1	**–**	–	**100%**	100%	Investment holding
* CMMB Vision (Beijing) Company Limited	The PRC	Capital contribution	US$63,000	**–**	–	**100%**	100%	Provision of CMMB services
CMMB Holdings Limited	Hong Kong	Ordinary	HK$10,000	**95%**	95%	**–**	–	Investment holding
CMMB SAT Limited	Hong Kong	Ordinary	HK$500	**100%**	100%	**–**	–	Provision of administrative service
Newell Top Limited	British Virgin Islands	Ordinary	US$50,000	**–**	–	**100%**	100%	Provision of agency services
CMMB International Limited	Hong Kong	Ordinary	HK$10,000	**–**	–	**65%**	65%	Holding of a licensing right
CMMB Vision (USA) Inc. (note i)	USA	Ordinary	US$10,000	**51%**	–	**–**	–	Provision of China Mobile Multimedia Broadcasting Services

* These subsidiaries are wholly-foreign-owned enterprises established in the PRC.

** The registered capital has not been paid up as at 31 December 2012.

Note:

(i) This subsidiary was acquired during the year.

None of the subsidiaries had issued any debt securities at the end of the year.

Summary Financial Information of the Company

	2012	2011
	US$	US$
NON-CURRENT ASSETS		
Investments in subsidiaries	**12,410,356**	1,124
Amounts due from subsidiaries	**592,180**	—
	13,002,536	1,124
CURRENT ASSETS		
Other receivables	**—**	11,230
Bank balances and cash	**25,476**	188,252
	25,476	199,482
CURRENT LIABILITIES		
Other payables	**540,145**	1,276,593
Amount due to a related company	**—**	14,074
	540,145	1,290,667
NET CURRENT LIABILITIES	**(514,669)**	(1,091,185)
	12,487,867	(1,090,061)
CAPITAL AND RESERVES		
Share capital (note 28)	**8,254,578**	5,804,157
Share premium and reserves (note 42)	**(6,503,206)**	(8,244,050)
Total equity	**1,751,372**	(2,439,893)
NON-CURRENT LIABILITIES		
Amounts due to subsidiaries	**1,417,287**	1,349,832
Convertible notes	**3,553,372**	—
Derivative financial instruments	**5,032,258**	—
Amount due to a related company	**375,667**	—
Amount due to a director	**357,911**	—
	10,736,495	1,349,832
	12,486,867	(1,090,061)

	Share premium US$	Merger reserve US$	Distributable reserve US$	Share option reserve US$	Capital reserve US$	Accumulated losses US$	Total US$
At 1 January 2011	34,787,558	31,987,096	18,464,516	5,800,669	1,639,897	(106,809,160)	(14,129,424)
Profit for the year and total comprehensive income for the year	–	–	–	–	–	296,469	296,469
Recognition of equity settled share-based payments	–	–	–	1,133,276	–	–	1,133,276
Forfeiture of share options	–	–	–	(365,847)	–	365,847	–
Issue of shares	4,066,578	–	–	–	–	–	4,066,578
Transaction costs related in issue of shares	(8,258)	–	–	–	–	–	(8,258)
Deemed capital contribution from a shareholder upon disposal of subsidiaries	–	–	–	–	397,309	–	397,309
At 31 December 2011	38,845,878	31,987,096	18,464,516	6,568,098	2,037,206	(106,146,844)	(8,244,050)
Loss for the year and total comprehensive expense for the year	–	–	–	–	–	(8,511,790)	(8,511,790)
Recognition of equity settled share-based payments	–	–	–	1,677,690	–	–	1,677,690
Forfeiture of share options	–	–	–	(2,864,906)	–	2,864,906	–
Issue of shares	6,953,230	–	–	–	–	–	6,953,230
Transaction costs related in issue of shares	(14,392)	–	–	–	–	–	(14,392)
Exercise of share options	2,645,748	–	–	(1,046,419)	–	–	1,599,329
Deemed capital contribution from a shareholder	–	–	–	–	36,777	–	36,777
At 31 December 2012	48,430,464	31,987,096	18,464,516	4,334,463	2,073,983	(111,793,728)	(6,503,206)

Financial Summary

RESULTS

	Year ended 31 December				
	2008	2009	2010	2011	**2012**
	US$	US$	US$	US$	**US$**
	(restated)	(restated)	(restated)		
Turnover	—	—	—	—	**266,227**
(Loss) Profit for the year	(75,093,827)	(43,630,161)	(21,548,313)	6,045,271	**(10,615,261)**

ASSETS AND LIABILITIES

	As at 31 December				
	2008	2009	2010	2011	**2012**
	US$	US$	US$	US$	**US$**
Total assets	129,018,530	38,500,195	37,414,120	3,028,781	**26,184,766**
Total liabilities	(99,932,601)	(46,838,823)	(48,405,726)	(1,981,674)	**(11,247,525)**
Shareholders' funds (deficits)	29,085,929	(8,338,628)	(10,991,606)	1,047,107	**14,937,241**

Note: The results for four years ended 31 December 2011, and the assets and liabilities as at 31 December 2008, 2009, 2010 and 2011 have been extracted from the Company's respective years' annual reports.