CMMB VISION

# 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)

2013

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

Dear Shareholders:

2013 was a year of development and expansion for the Company. It has deployed its TV broadcasting business in New York, which will help the Company return to profitability in the future. It has entered MOUs to purchase additional 7 top US market TV stations operation rights, which the Company expects to consummate in first half of 2014. When complete, the acquisition will give the Company a strategic nationwide network for both traditional terrestrial free-to-air TV broadcasting services, as well as the unprecedented mobile multimedia and Internet data delivery services. Currently the company is in process of rolling out CMMB-based mobile services in Richmond, and is simultaneously developing a trial network in New York.

The past year also saw the Company taking great strides in technology development. The Company has applied to register 6 patents evolving from CMMB technology and will form part of the core technology for Next Generation Broadcasting Wireless (NGB-W) technology standard. It has also formed a strategic partnership with Shanghai Jiaotong University to pioneer convergence mobile technology that unifies broadcasting with unicasting so as to render TV network delivering mobile services in complement with cellular network with unprecedented efficiency and scale economies. The technology tailors to the explosive growth of mobile video and data services of the Internet era and is a solution to the severe bandwidth shortage and mobile bottleneck plaguing our cellular network toady.

The world has gone viral for mobile services in 2013. The explosions for digital entertainment, social media, and smart mobile devices have set off a perfect storm that moves every facet of daily life to be connected to the mobile and wireless space. Applications ranging from online mobile entertainment, e-commercial, mass-market advertising, environmental monitoring, public safety and national disaster alerts have all out-grown their traditional delivery platform and are searching for a much more ubiquitous mobile and wireless platform for data and information dissemination anytime anywhere to anyone, which is deemed indispensable for the future. The challenge to all that is to develop a unified mobile platform above and beyond what our current fixed and cellular network can offer. The answer lies in the idea of convergent mobile platform. This validates the Company's long term dedication to mobile multimedia and its vertically integrated strategy: pioneering as a global technology leader, leveraging on proprietary technology and low cost supply-chain from China to jump-start mobile multimedia network in the US, bundling knowhow and partnerships developed from the US to expand to the international markets.

The Company looks forward to 2014 as a year of breakthrough, in which it expects to complete its network acquisition, multiply broadcasting operations, commence mobile multimedia services, expand into global market, and return to Asia and China to dedicate to the emerging markets.

I would like to thank the business partners and employees of the Group and the shareholders of the Company for their support, and the Group's staff for their dedication and contribution during this financial year.

For and on behalf of the Board

**Wong Chau Chi**
*Chairman*

Hong Kong, 24 March 2014

# 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 2013, the Group recorded loss for the year of approximately US$293,000 as compared to approximately US$10.6 million for the year ended 31 December 2012, which includes profit for the year attributable to owners of the Company amounted to approximately US$212,000 and loss for the year attributable to non-controlling interests amounted to approximately US$505,000 respectively. Earnings per share was approximately US$0.03 cents (2012: approximately US$1.90 cents) and net assets per share of the Group was approximately US$3.19 cents (2012: approximately US$2.33 cents).

During the year ended 31 December 2013, the Group engaged in provision of CMMB and agency services with revenue of approximately US$713,000 (2012: approximately US$266,000).

Cost of sales mainly includes amortisation of intangible assets amounted to approximately US$306,000 for the year ended 31 December 2013 (2012: approximately US$357,000), with a decrease by approximately 14.2%.

The Group improved its business activities by the change from gross loss of approximately US$142,000 for the year ended 31 December 2012 to gross profit of approximately US$61,000 for the year ended 31 December 2013.

The administrative expenses for the year ended 31 December 2013 decreased by approximately 33.3% to approximately US$1.0 million as compared to that of approximately US$1.5 million for the year ended 31 December 2012.

Other expenses represents legal and professional fee amounted to approximately US$903,000 during the year ended 31 December 2013. For the year ended 31 December 2012, other expenses represents the legal and professional fee amounted to approximately US$526,000 and share-based payments expense to consultants amounted to US$1.6 million respectively.

Other gains and losses represents change in fair value of derivative components of convertible notes amounted to a gain of approximately US$2.5 million during the year ended 31 December 2013 as compared to a loss of approximately US$129,000 during the year ended 31 December 2012. The rest of other gains and losses for the year ended 31 December 2012 includes impairment loss recognized on an intangible asset amounted to approximately US$1.3 million and loss on acquisition of intangible assets amounted to approximately US$4.8 million respectively.

Finance costs of the Group for the year ended 31 December 2013 amounted to approximately US$819,000 (2012: approximately US$198,000), it mainly represents effective interest expense on convertible notes.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group had total equities of approximately US$27.4 million as at 31 December 2013 and approximately US$14.9 million as at 31 December 2012. Current assets amounted to approximately US$2.2 million mainly comprising bank balances and cash of approximately US$0.9 million and trade and other receivables of approximately US$1.3 million. Current liabilities amounted to approximately US$2.1 million, represents trade and other payables only.

As at 31 December 2013, the Group's current ratio was 1.0 (2012: 1.1) and the gearing ratio (a ratio of total loans to total assets) was 11.5% (2012: 13.7%). Other than convertible notes, the Group did not has any bank and other borrowings as at 31 December 2013 (2012: Nil).

During the year, the Company entered into certain subscription agreements with the subscribers for the subscription of an aggregate 220,445,957 new shares ("Shares") of the Company for an aggregate consideration of HK$99,571,897 (equivalent to approximately US$12.8 million), details of these are set out in note 27 to the consolidated financial statements. Total net proceeds of all above subscriptions are approximately HK$99.2 million (equivalent to approximately US$12.8 million), in which HK$16.9 million (equivalent to approximately US$2.2 million); HK$12 million (equivalent to approximately US$1.5 million); HK$42.3 million (equivalent to approximately US$5.5 million) and HK$28.0 million (equivalent to approximately US$3.6 million) were used for administrative and operations; New York CMMB network development; new wireless spectrum and network acquisition; and new business and network development, respectively.

## 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 2013.

## SEGMENT INFORMATION

As at 31 December 2013, 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 2013, average number of employees of the Group was approximately 30 (2012: approximately 30). For the year ended 31 December 2013, the Group's staff costs (including Directors' fees and emoluments) amounted to approximately US$237,000 (2012: approximately US$320,000). 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

For the year ended 31 December 2013, the Group did not have any material acquisition or disposals of subsidiaries and associated companies.

## CHARGE ON ASSETS

As at 31 December 2013, neither the Group nor the Company has pledged its assets to secure its borrowings (2012: Nil).

## CONTINGENT LIABILITIES

As at 31 December 2013, neither the Group nor the Company has any significant contingent liabilities (2012: Nil).

## PROSPECTS

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.

## EXECUTIVE DIRECTORS

**Mr. WONG Chau Chi** ("Mr. Wong"), aged 49, 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 45, 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 71, 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 50, 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 26 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 42, 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 50, 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 19 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 52, 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 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 and an independent non-executive director of Zhejiang Glass Company, Limited (Stock code: 739) until 31 May 2013. 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 2013 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 2013.

## 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)*<br>Hui Liu *(Vice-chairman)* |
| Non-executive Directors | Chou Tsan-Hsiung<br>Yang Yi |
| Independent non-executive Directors | Wang Wei-Lin<br>Shan Li<br>Li Jun |

As at 31 December 2013, 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, seven 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)* | 7/7 | 100% |
| Hui Liu *(Vice-chairman)* | 2/7 | 29% |
| Chou Tsan-Hsiung | 2/7 | 29% |
| Yang Yi | 6/7 | 86% |
| Wang Wei-Lin | 3/7 | 43% |
| Shan Li | 3/7 | 43% |
| Li Jun | 3/7 | 43% |

### 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 2013. 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 2013.

During the year ended 31 December 2013, 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 | 2/2 | 100% |

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 2013, 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 | 1/1 | 100% |

## 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 2013, 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 2013 is summarised as below:

| Services | Remuneration (US$) |
|---|---|
| Audit services | 184,516 |

## 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 2013, 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 2013.

## 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, 24 March 2014

# Report of the Directors

The Directors are pleased to present their report and the audited consolidated financial statements for the year ended 31 December 2013.

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its subsidiaries are set out in note 39 to the consolidated financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of profit or loss and other comprehensive income.

The Directors did not recommend payment of any final dividend to the Shareholders for the year ended 31 December 2013.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the property, plant and equipment of the Group are set out in note 19 to the consolidated financial statements.

## SHARE CAPITAL

During the year, an aggregate 220,445,957 new Shares were issued, which represents approximately 34.5% change in existing issued share capital as at 31 December 2012. Details of these and other movements during the year in the share capital of the Company are set out in note 27 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 2013. Under the Companies Law Chapter 22 of the Cayman Islands, the share premium of the Company amounted to approximately US$58.4 million as at 31 December 2013 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. CHOU Tsan-Hsiung, Mr. WANG Wei-Lin and Dr. LI Jun will retire from the office and, being eligible, offer themselves for re-election at the AGM to be held in year 2014.

## 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 2013, 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:

**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) | 155,857,838 | 18.1% |

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.

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 2013 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 2013, no share option was 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 30 to the consolidated financial statements.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in note 30 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

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 2013, 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) | 155,857,838 (L) | 18.1% |
| Mr. WONG Chau Chi | Interest of controlled Corporation (Note 2) | 155,857,838(L) | 18.1% |

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 2013.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, the largest and the five largest customers of the Group accounted for approximately 82.7% 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

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. The related party transactions disclosed in note 37 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.

## EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period of the Group and the Company are set out in note 38 to the consolidated financial statements in this annual report.

## 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, 24 March 2014

# 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 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 28 to 97, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other 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 2013 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
24 March 2014

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

| | NOTES | 2013<br>US$ | 2012<br>US$ |
|---|---|---|---|
| Revenue | 9 | **713,774** | 266,227 |
| Cost of sales | | **(652,695)** | (408,502) |
| Gross profit (loss) | | **61,079** | (142,275) |
| Other income | 10 | **80** | 80 |
| Administrative expenses | | **(1,051,387)** | (1,524,172) |
| Advertising expenses | | **(38,170)** | (51,032) |
| Other expenses | 14 | **(903,504)** | (2,374,872) |
| Other gains and losses | 11 | **2,517,131** | (6,324,352) |
| Finance costs | 12 | **(819,380)** | (198,638) |
| Loss before tax | | **(234,151)** | (10,615,261) |
| Income tax expense | 13 | **(59,000)** | – |
| Loss for the year and total comprehensive expense | 14 | **(293,151)** | (10,615,261) |
| Profit (loss) for the year and total comprehensive income (expense) attributable to: | | | |
| – Owners of the Company | | **212,481** | (9,900,497) |
| – Non-controlling interests | | **(505,632)** | (714,764) |
| | | **(293,151)** | (10,615,261) |
| **Earnings (loss) per share** | 18 | | |
| – Basic | | **0.0003** | (0.0190) |
| – Diluted | | **(0.0019)** | (0.0190) |

# Consolidated Statement of Financial Position

At 31 December 2013

| | NOTES | 2013 US$ | 2012 US$ |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 19 | **51,885** | 11,829 |
| Intangible assets | 20 | **23,843,846** | 24,150,191 |
| Deposits for the acquisition of intangible assets | 20 | **11,020,706** | — |
| Interests in associates | 21 | **—** | — |
| | | **34,916,437** | 24,162,020 |
| **CURRENT ASSETS** | | | |
| Trade and other receivables | 22 | **1,394,043** | 1,199,869 |
| Bank balances and cash | 23 | **877,155** | 822,877 |
| | | **2,271,198** | 2,022,746 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 24 | **2,121,967** | 1,881,270 |
| **NET CURRENT ASSETS** | | **149,231** | 141,476 |
| | | **35,065,668** | 24,303,496 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | 27 | **11,099,042** | 8,254,578 |
| Share premium and reserves | | **5,637,934** | (4,579,132) |
| Equity attributable to owners of the Company | | **16,736,976** | 3,675,446 |
| Non-controlling interests | | **10,756,163** | 11,261,795 |
| Total equity | | **27,493,139** | 14,937,241 |

| | NOTES | 2013 US$ | 2012 US$ |
|---|---|---|---|
| **NON-CURRENT LIABILITIES** | | | |
| Convertible notes | 26 | **4,333,491** | 3,553,372 |
| Derivative financial instruments of convertible notes | 26 | **2,515,127** | 5,032,258 |
| Amount due to a related company | 25 | **675,165** | 422,714 |
| Amount due to a director | 25 | **48,746** | 357,911 |
| | | **7,572,529** | 9,366,255 |
| | | **35,065,668** | 24,303,496 |

The consolidated financial statements on pages 28 to 97 were approved and authorised for issue by the Board of directors on 24 March 2014 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 28) | Distributable reserve US$ (note 29) | Share option reserve US$ (note 30) | Capital reserve US$ (note 31) | Exchange reserve US$ | Accumulated losses US$ | Sub-total US$ | Non-controlling interests US$ | Total US$ |
| At 1 January 2012 | 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 (note 32) | – | – | – | – | – | – | – | – | – | 11,799,982 | 11,799,982 |
| Deemed capital contribution from a shareholder (note 25) | – | – | – | – | – | 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 |
| Profit (loss) for the year and total comprehensive income (expense) for the year | – | – | – | – | – | – | – | 212,481 | 212,481 | (505,632) | (293,151) |
| Forfeiture of share options | – | – | – | – | (2,569,917) | – | – | 2,569,917 | – | – | – |
| Issue of shares | 2,844,464 | 10,003,523 | – | – | – | – | – | – | 12,847,987 | – | 12,847,987 |
| Transaction costs related in issue of shares | – | (32,787) | – | – | – | – | – | – | (32,787) | – | (32,787) |
| Deemed capital contribution from a shareholder (note 25) | – | – | – | – | – | 33,849 | – | – | 33,849 | – | 33,849 |
| At 31 December 2013 | 11,099,042 | 58,401,200 | 31,987,096 | 18,464,516 | 1,764,546 | 2,110,190 | 28,920 | (107,118,534) | 16,736,976 | 10,756,163 | 27,493,139 |

# Consolidated Statement of Cash Flows

For the year ended 31 December 2013

| | 2013 US$ | 2012 US$ |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Loss before tax | **(234,151)** | (10,615,261) |
| Adjustments for: | | |
| Impairment loss recognised on intangible assets | **—** | 1,334,185 |
| Amortisation of intangible assets | **306,345** | 527,723 |
| Finance costs | **819,380** | 198,638 |
| Depreciation of property, plant and equipment | **19,292** | 23,248 |
| Change in fair value of derivative components of convertible notes | **(2,517,131)** | 129,032 |
| Interest income | **(80)** | (36) |
| Loss on acquisition of an intangible asset | **—** | 4,861,135 |
| Share-based payments | **—** | 1,677,690 |
| Operating cash flows before movements in working capital | **(1,606,345)** | (1,863,646) |
| Increase in trade and other receivables | **(253,174)** | (26,468) |
| (Decrease) increase in trade and other payables | **(78,635)** | 664,431 |
| **NET CASH USED IN OPERATING ACTIVITIES** | **(1,938,154)** | (1,225,683) |
| **INVESTING ACTIVITIES** | | |
| Deposits paid for the acquisition of intangible assets | **(11,020,706)** | — |
| Purchase of property, plant and equipment | **(59,275)** | — |
| Interest received | **80** | 36 |
| **NET CASH (USED IN) FROM INVESTING ACTIVITIES** | **(11,079,901)** | 36 |
| **FINANCING ACTIVITIES** | | |
| Proceeds from issue of shares | **12,847,987** | — |
| Advance from a related company | **2,115,011** | — |
| Deposits received for a share placement | **319,332** | — |
| Advance from a director | **48,746** | — |
| Repayment to a related company | **(1,849,937)** | (371,178) |
| Repayment to a director | **(375,946)** | — |
| Costs related to shares issued | **(32,787)** | — |
| Costs related to exercise of share options | **—** | (14,392) |
| Proceeds from exercise of share options | **—** | 2,118,297 |

| | 2013<br>US$ | 2012<br>US$ |
|---|---|---|
| NET CASH FROM FINANCING ACTIVITIES | **13,072,406** | 1,732,727 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | **54,351** | 507,080 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR | **822,877** | 315,813 |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES | **(73)** | (16) |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash | **877,155** | 822,877 |

## 1. GENERAL

The Company is 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 to the annual report.

The Company acts as an investment holding company. The Company together with its subsidiaries (collectively the "Group") are principally engaged in the transmission and broadcasting of television programs and provision of agency services.

China Mobile Multimedia Broadcasting ("CMMB") is a digital mobile multimedia technology developed in People's Republic of China (the "PRC") under the 國家廣播電視總局 (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 band width at high quality and low cost, and can receive signals over 350 kilometre/hour without distortion.

It is the plan of the Company to apply the CMMB technology to the existing TV broadcasting services so as to provide mobile TV services in the future.

Agency services relating to the procurement and distribution of printed circuit board ("PCB") materials generate agency income which represents the difference between gross proceeds received from customers and related cost payable to suppliers.

The consolidated financial statements are presented in United States dollars, which is also the functional currency of the Group.

## 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 of US$293,151 during the year ended 31 December 2013. In the opinion of the directors of the Company (the "Directors"), 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) In 2012, the Group commenced the provision of transmission and broadcasting of television programs subsequent to the acquisition of CMMB Vision (USA) Inc. ("CMMB Vision (USA)"). A 3-year service contract was entered into between CMMB Vision (USA) and China Central Television, a state-owned enterprise in PRC. 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.

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(b) Subsequent to the year end date, the Group has issued new shares for approximately US$2.0 million (note 38(ii)). 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 ("Mr. Wong"), 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.

Based on the aforesaid factors, the Directors 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")

### (a) Applications of new and revised HKFRSs

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

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

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

### (a) Applications of new and revised HKFRSs *(Continued)*

Except as described below, the application of the new and revised 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/or on the disclosures set out in these consolidated financial statements.

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

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 *Consolidated Financial Statements*, HKFRS 11 *Joint Arrangements*, HKFRS 12 *Disclosure of Interests in Other Entities*, HKAS 27 (as revised in 2011) *Separate Financial Statements* and HKAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of HKFRS 10 and HKFRS 12 is set out below.

***Impact of the application of HKFRS 10***

HKFRS 10 replaces the parts of HKAS 27 that deal with consolidated financial statements and HK(SIC) Int - 12 *Consolidation - Special Purpose Entities*. HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The application of HKFRS 10 in the current year has had no material impact on the Group's financial performance and positions for the current and prior years.

***Impact of the application of HKFRS 12***

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements in relation to the non-controlling interests of non-wholly owned subsidiaries (please see note 39 for details).

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

### (a) Applications of new and revised HKFRSs *(Continued)*

***HKFRS 13 Fair Value Measurement***

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply 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 for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value.

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period (please see note 7c for the 2013 disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

***Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income***

The Group has applied the amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income.* Upon the adoption of the amendments to HKAS 1, the Group's "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income". Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are 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 application of the amendments to HKAS 1 did not have a material impact on the Group's presentation of items of other comprehensive income in the current and prior years.

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

### (b) New and revised HKFRSs issued but not yet effective

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

| | |
|---|---|
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2010-2012 Cycle[4] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2011-2013 Cycle[2] |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27 | Investment Entities[1] |
| Amendments to HKAS 19 | Defined Benefit Plans: Employee Contributions[2] |
| Amendments to HKFRS 9 and HKFRS 7 | Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3] |
| HKFRS 9 | Financial Instruments[3] |
| HKFRS 14 | Regulating Deferral Accounts[5] |
| Amendments to HKAS 32 | Offsetting Financial Assets and Financial Liabilities[1] |
| Amendments to HKAS 36 | Recoverable Amount Disclosures for Non-Financial Assets[1] |
| Amendments to HKAS 39 | Novation of Derivatives and Continuation of Hedge Accounting[1] |
| HK(IFRIC) - Int 21 | Levies[1] |

1 Effective for annual periods beginning on or after 1 January 2014

2 Effective for annual periods beginning on or after 1 July 2014

3 Available for application - the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised

4 Effective for annual periods beginning on or after 1 July 2014, with limited exception

5 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

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

### (b) New and revised HKFRSs issued but not yet effective *(Continued)*

***HKFRS 9 Financial Instruments***

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at 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 reporting 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 new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Directors do not anticipate that the adoption of HKFRS 9 will have material effect on the Group's financial statements based on the analysis of the Group's financial instruments as at 31 December 2013.

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

### (b) New and revised HKFRSs issued but not yet effective *(Continued)*

***Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets***

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The Directors anticipate that the application of these amendments to HKAS 36 may result in more disclosures on the Group's consolidated financial statements in respect of the Group's intangible asset for which an impairment loss has been recognised if the recoverable amount is determined based on fair value less costs of disposal.

The Directors anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

## 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, except for certain financial instruments that are measured at fair values at the end of each reporting period, as 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 and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economics benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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 and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Investments in associates**

An associate is an entity over which the Group has significant influence. 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, an investment in an associate is 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 associate. 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.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee 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 and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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 of disposal) 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.

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), 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.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**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 and 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.

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 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 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 over their estimated useful lives, using the straight-line method. The estimated useful lives 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.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Intangible assets

***Intangible assets acquired separately***

Intangible assets with finite useful lives that are acquired separately are carried at cost, 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. Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (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 assets measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss 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***

If the terms of a lease of the Group are changed to such an extent that the lease would have been classified differently at inception had the changed terms been in effect at that time, the revised agreement is considered to be a new agreement over its remaining term.

When a lease previously classified as an operating lease becomes a finance lease resulting from modification of lease agreement, the revised contract is accounted for as a finance lease from the date of modification. The leased asset is recognised in the Group's consolidated statement of financial position at an amount equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments plus the costs incurred to acquire the relevant lease agreement, less cumulative amortisation and impairment (if any) prior to the change in classification. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

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

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**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 with finite useful lives 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. When 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.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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.

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 immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 immediately in profit or loss.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**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 profit as reported in the profit or loss because of income or expense that are taxable or deductible in other years and 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 difference 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 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.

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.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**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 recognised 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 at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

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 dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses are translated at the average exchange rates for the period, 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 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 transferred to accumulated losses.

**Retirement benefit costs**

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Share-based payment transactions**

***Equity-settled share-based payment transactions***

*Shares and share options granted to employees of the Group*

For grants of share options that are conditional upon satisfying specified vesting conditions, 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, 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.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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.

*Share options granted to consultants*

Share options issued in exchange for services are measured at the fair value 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.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Financial instruments**

Financial assets and financial liabilities are recognised 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***

Financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

*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 of financial assets below).

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Financial instruments** *(Continued)*

***Financial assets*** *(Continued)*

*Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired when 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.

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 and 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 recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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 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.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Financial instruments** *(Continued)*

***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 an entity 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.

*Derivative financial instrument*

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 the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Financial instruments** *(Continued)*

***Financial liabilities and equity instruments*** *(Continued)*

*Convertible notes contains debt component and derivative components (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.

*Other financial liabilities*

Other 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.

***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 and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity 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 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 is 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 PCB*

In determining whether the Group is acting as a principal or an agent, the Directors assessed all relevant facts and circumstances and concluded 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 consider that the Group acts as an agent under the arrangement under HKAS 18 despite the Group bearing the credit risk of trade receivables and being liable to the settlement of trade payables.

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

### Critical judgment in applying accounting policies *(Continued)*

***Renewal of spectrum usage rights***

In determining the effect of supplementary agreement signed between the Group and New York Broadband LLC ("NYBB"), the lessor, during the current year, which provides the option to the Group to renew the lease continuously with NYBB, the Directors assessed the Group's ability and intention to renew the lease and concluded that the lease previously classified as an operating lease becomes a finance lease resulting from the modification of the lease agreement.

The spectrum usage rights have legal rights of 5 years. In assessing the useful life of the spectrum usage rights, the Directors are of the view that NYBB has the ability to renew the license right with the authority indefinitely at minimal costs. Therefore, the useful life of spectrum usage rights is regarded as indefinite.

### 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.

***Amortisation and impairment of intangible assets***

Intangible assets of US$24,150,191 as of 31 December 2012 were amortised on a straight-line basis over their estimated useful lives. During the year ended 31 December 2013, a supplementary agreement has been signed and the Directors are of the opinion that the Group would renew the lease continuously. The Directors determined that the lease previously classified as an operating lease becomes a finance lease resulting from modification of the lease agreement. The revised contract is accounted for as a finance lease from the date of modification.

During the current 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 higher of the VIU or FVLCTS is less than the corresponding carrying amounts, an impairment loss may be required.

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

**Key sources of estimation uncertainty** *(Continued)*

***Amortisation and impairment of intangible assets*** *(Continued)*

For the licensing rights, the actual results in the second half of 2012 did not reflect the expected results, the Directors 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 ended 31 December 2012.

For the spectrum usage rights, the FVLCTS, by reference to the similar spectrum transacted in an active market of New York City after considering the revised lease terms, is higher than its carrying amount, so no impairment was recognised in profit or loss for the year ended 31 December 2013.

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 for the year ended 31 December 2012.

***Fair value of derivatives financial instruments of convertible notes***

The Directors 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 2013 is US$2,515,127 (2012: US$5,032,258). Details of the assumptions used are disclosed in note 26. 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 26, net of cash and cash equivalents disclosed in note 23 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 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

| | **2013** | 2012 |
|---|---|---|
| | **US$** | US$ |
| **Financial assets** | | |
| Loans and receivables (including cash and cash equivalents) | **2,054,615** | 1,755,582 |
| **Financial liabilities** | | |
| Amortised cost | **6,500,270** | 5,660,481 |
| Derivative financial instruments | **2,515,127** | 5,032,258 |

## 7. FINANCIAL INSTRUMENTS *(Continued)*

### 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.

***Market risk***

*(i) Currency risk*

Certain bank balances, other payables 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** | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **US$** | US$ | **US$** | US$ |
| Hong Kong dollars | **4,526,128** | 3,911,283 | **263,744** | 3,758 |
| Renminbi | **—** | — | **6,782** | 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 dollars against Renminbi, so no sensitivity analysis is presented.

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

## 7. FINANCIAL INSTRUMENTS *(Continued)*

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

***Market risk*** *(Continued)*

*(ii) Interest rate risk*

The Group is 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.

Sensitivity analysis

For the years ended 31 December 2013 and 2012, 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 2013 and 2012.

*(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 profit or loss 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.

## 7. FINANCIAL INSTRUMENTS *(Continued)*

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

***Market risk*** *(Continued)*

*(iii) Other price risk (Continued)*

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$223,000 (2012: US$353,000).

(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 2013 (as a result of changes in fair value of derivative component of convertible notes) would increase/decrease by US$85,000 (2012: US$58,000).

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.

***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 USA and Hong Kong.

## 7. FINANCIAL INSTRUMENTS *(Continued)*

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

***Credit risk** (Continued)*

As at 31 December 2013 and 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 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 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.

*Liquidity risk tables*

**2013**

| | Weighted average interest rate | Less than 1 month on or demand | 1 to 3 months | 3 months 1 year | 1 to 2 years | Total undiscounted cash flows | Carrying amount at 31/12/2013 |
|---|---|---|---|---|---|---|---|
| | % | US$ | US$ | US$ | US$ | US$ | US$ |
| Trade payables | — | 1,442,868 | — | — | — | 1,442,868 | 1,442,868 |
| Amount due to a related company | 5 | — | — | — | 708,923 | 708,923 | 675,165 |
| Amount due to a director | 5 | — | — | — | 51,183 | 51,183 | 48,746 |
| Convertible notes (excluding derivative financial instruments) (note) | — | — | — | — | 5,910,000 | 5,910,000 | 4,333,491 |
| | | 1,442,868 | — | — | 6,670,106 | 8,112,974 | 6,500,270 |

## 7. FINANCIAL INSTRUMENTS *(Continued)*

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

***Liquidity risk** (Continued)*

*Liquidity risk tables (Continued)*

2012

| | Weighted average interest rate | Less than 1 month on or demand | 1 to 3 months | 3 months 1 year | 1 to 3 years | Total undiscounted cash flows | Carrying amount at 31/12/2012 |
|---|---|---|---|---|---|---|---|
| | % | US$ | US$ | US$ | US$ | US$ | 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 (excluding 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 |

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

This note provides information about how the Group determines the fair value of its financial liability.

***(i) Fair value of the Group's financial liability that is measured at fair value on a recurring basis***

One of the Group's financial liabilities is measured at fair value at the end of each reporting period. The following table gives information about how the fair value of the financial liability is determined (in particular, the valuation technique(s) and inputs used).

| Financial liability | Fair value as at 31/12/2013 | Fair value hierarchy | Valuation technique and key inputs | Significant unobservable input(s) |
|---|---|---|---|---|
| Derivative component of convertible notes classified as fair value through profit or loss | US$2,515,127 | Level 3 | Binomial model – in this approach, certain parameters (note 26) determined by management are input into the binomial model to derive the valuation of the derivative components of the convertible notes. Certain parameters include:<br>– Share Price<br>– Conversion Price<br>– Risk-free rate<br>– Option life<br>– Dividend Yield<br>– Volatility | Estimation of share price volatility, determined by reference to the historical share price of the Company (Note) |

Note: Please refer to Note 7b(iii) for sensitivity analysis.

## 7. FINANCIAL INSTRUMENTS *(Continued)*

### 7c. Fair value *(Continued)*

***(i) Fair value of the Group's financial liability that is measured at fair value on a recurring basis*** *(Continued)*

*Fair value hierarchy*

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | US$ | US$ | US$ | US$ |
| **2013** | | | | |
| **Financial liabilities** | | | | |
| Derivative financial instruments of convertible notes | **—** | **—** | **2,515,127** | **2,515,127** |
| **2012** | | | | |
| **Financial liabilities** | | | | |
| Derivative financial instruments of convertible notes | – | – | 5,032,258 | 5,032,258 |

***(ii) Reconciliation of Level 3 fair value measurements***

*Derivative financial instruments of convertible notes*

| | 2013 | 2012 |
|---|---|---|
| | US$ | US$ |
| At 1 January | **5,032,258** | 4,903,226 |
| Unrealised fair value change (note) | **(2,517,131)** | 129,032 |
| At 31 December | **2,515,127** | 5,032,258 |

Note: included in "Other gains and losses" in the consolidated statement of profit or loss and other comprehensive income

***(iii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures required)***

The Directors consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values. The other financial assets and financial liabilities are categorised as level 3 and have been determined in accordance with generally accepted accounting principles models based on discounted cash flow analysis.

## 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.

No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

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

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

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

**For the year ended 31 December 2013**

| | **CMMB business US$** | **Trading business US$** | **Total US$** |
|---|---|---|---|
| **Revenue** | | | |
| Segment revenue | **590,000** | **123,774** | **713,774** |
| Segment profit (loss) | **705,110** | **(20,037)** | **685,073** |
| Other income | | | **80** |
| Unallocated expenses | | | **(978,304)** |
| Loss for the year | | | **(293,151)** |

**For the year ended 31 December 2012**

| | CMMB business US$ | Trading business US$ | Total US$ |
|---|---|---|---|
| **Revenue** | | | |
| 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) |

## 8. SEGMENT INFORMATION *(Continued)*

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment profit (loss) represents the profit (loss) from each segment without allocation of other income, central administration expenses, certain legal and professional fees, directors' remuneration 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.

**Segment assets**

| | 2013 | 2012 |
|---|---|---|
| | US$ | US$ |
| CMMB business | **34,970,424** | 24,416,858 |
| Trading business | **1,826,458** | 927,755 |
| Total segment assets | **36,796,882** | 25,344,613 |
| Unallocated | | |
| – Property, plant and equipment | **49,396** | 11,829 |
| – Prepayments | **30,976** | 5,447 |
| – Bank balances and cash | **310,381** | 822,877 |
| Consolidated assets | **37,187,635** | 26,184,766 |

**Segment liabilities**

| | 2013 | 2012 |
|---|---|---|
| | US$ | US$ |
| CMMB business | **6,848,618** | 8,585,630 |
| Trading business | **1,470,068** | 1,326,484 |
| Total segment liabilities | **8,318,686** | 9,912,114 |
| Unallocated | | |
| – Accruals | **332,567** | 554,786 |
| – Other payables | **319,332** | — |
| – Amount due to a related company | **675,165** | 422,714 |
| – Amount due to a director | **48,746** | 357,911 |
| Consolidated liabilities | **9,694,496** | 11,247,525 |

## 8. SEGMENT INFORMATION *(Continued)*

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

- segment assets include certain property, plant and equipment, prepayments, intangible assets, certain bank balances and cash and trade receivables; and
- segment liabilities include, trade payables, certain accruals, convertible notes and derivative financial instruments.

**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 2013** | | | |
| Amortisation | 306,345 | — | 306,345 |
| Depreciation | — | 4,979 | 4,979 |
| Change in fair value of financial derivative instruments | (2,517,131) | — | (2,517,131) |
| Effective interest expense on convertible notes | 780,119 | — | 780,119 |
| **Year ended 31 December 2012** | | | |
| 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 |

## 8. SEGMENT INFORMATION *(Continued)*

### Geographical information

The Group principally operates in the USA (country of domicile of the operating subsidiary) 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.

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

| | Revenue from external customers | |
|---|---|---|
| | **2013** | 2012 |
| | **US$** | US$ |
| USA | **590,000** | 149,197 |
| Taiwan | **123,774** | 117,030 |
| | **713,774** | 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:

| | **2013** | 2012 |
|---|---|---|
| | **US$** | US$ |
| Customer A[1] | **590,000** | 149,197 |
| Customer B[2] | **N/A[3]** | 64,525 |
| Customer C[2] | **N/A[3]** | 39,924 |

1 Revenue from CMMB business
2 Revenue from Trading business
3 The corresponding revenue did not contribute over 10% of the total sales of the Group

## 9. REVENUE

Revenue of the Group is analysed as follows:

| | 2013 US$ | 2012 US$ |
|---|---|---|
| Provision of agency services | **123,774** | 117,030 |
| Transmission and broadcasting of television programs | **590,000** | 149,197 |
| | **713,774** | 266,227 |

## 10. OTHER INCOME

| | 2013 US$ | 2012 US$ |
|---|---|---|
| Interest income | **80** | 36 |
| Others | **—** | 44 |
| | **80** | 80 |

## 11. OTHER GAINS AND LOSSES

| | 2013 US$ | 2012 US$ |
|---|---|---|
| Impairment loss recognised on an intangible asset (note 20) | **—** | (1,334,185) |
| Loss on acquisition of intangible assets (note 32) | **—** | (4,861,135) |
| Change in fair value of derivative components of convertible notes (note 26) | **2,517,131** | (129,032) |
| | **2,517,131** | (6,324,352) |

## 12. FINANCE COSTS

| | 2013 US$ | 2012 US$ |
|---|---|---|
| Effective interest expense on convertible notes | **780,119** | 198,533 |
| Imputed interest on an amount due to a related party | **21,226** | 57 |
| Imputed interest on an amount due to a director | **18,035** | 48 |
| | **819,380** | 198,638 |

## 13. TAXATION

| | 2013 US$ | 2012 US$ |
|---|---|---|
| Current tax: | | |
| Withholding tax on foreign income | **59,000** | – |

Withholding tax represented PRC withholding tax on income from a PRC customer at 10% of the gross invoice amount.

No provision for Hong Kong Profits Tax or Taiwan Income Tax has been made as the Group has no assessable profit arising in Hong Kong and Taiwan for both years.

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 38% for the year ended 31 December 2013 (2012: 40.7%). 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 both years.

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 as follows:

| | **2013** | 2012 |
|---|---|---|
| | **US$** | US$ |
| Loss before tax | **(234,151)** | (10,615,261) |
| Tax at the domestic income tax rate of 38% (2012: 40.7%) | **(88,977)** | (4,320,411) |
| Tax effect of income not taxable for tax purpose | **(956,576)** | (33) |
| Tax effect of expenses not deductible for tax purpose | **429,645** | 3,723,487 |
| Tax effect of deductible temporary differences not recognised | **—** | 543,013 |
| Tax effect of tax losses not recognised | **627,472** | — |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | **—** | 53,944 |
| Withholding tax on foreign income | **59,000** | — |
| Others | **(11,564)** | — |
| Taxation for the year | **59,000** | — |

At the end of both reporting periods, the Group has deductible temporary differences of US$1,334,185 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. In addition, the Group has unused tax losses of US$1,651,242 as at the year ended 31 December 2013 (2012: Nil) available for offsetting against future profits, subject to the confirmation of the relevant tax authorities. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

## 14. LOSS FOR THE YEAR

| | **2013** | 2012 |
|---|---|---|
| | **US$** | US$ |
| Loss for the year has been arrived at after charging: | | |
| Staff costs, including directors' remuneration | | |
| – Salaries and allowances | **235,265** | 307,632 |
| – Retirement benefit scheme contributions | **2,064** | 13,042 |
| Total staff costs | **237,329** | 320,674 |
| Share-based payments expense to consultants (included in other expenses) | **—** | 1,677,690 |
| Amortisation of intangible assets (included in cost of sales) | **306,345** | 357,402 |
| Amortisation of intangible assets (included in other expenses) | **—** | 170,321 |
| Legal and professional fee (included in other expenses) (note) | **903,504** | 526,861 |
| Auditor's remuneration | **184,516** | 154,839 |
| Depreciation of property, plant and equipment | **19,292** | 23,248 |
| Exchange loss, net | **14,887** | 1,153 |

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

## 15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the 7 directors and the chief executive were as follows:

| | Directors | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Wong Chau Chi US$ | Liu Hui US$ | Yang Yi US$ | Chou Tsan Hsiung US$ | Wang Wei-Lin US$ | Li Shan US$ | Li Jun US$ | Total 2013 US$ |
| Fees | – | – | – | – | – | – | – | – |
| Other emoluments | | | | | | | | |
| Salaries and other benefits | – | – | – | – | – | – | – | – |
| Contributions to retirement benefits scheme | – | – | – | – | – | – | – | – |
| Performance related incentive payments | – | – | – | – | – | – | – | – |
| Share-based payments | – | – | – | – | – | – | – | – |
| Total emoluments | – | – | – | – | – | – | – | – |

| | Directors | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Wong Chau Chi US$ | Liu Hui US$ | Yang Yi US$ | Chou Tsan Hsiung US$ | Wang Wei-Lin US$ | Li Shan 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 |

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

For the year ended 31 December 2013, no directors received and waived any emoluments from the Company. For the year ended 31 December 2012, one director received emoluments of US$92,739 and six directors waived an aggregate amount of emoluments of US$139,320.

## 16. EMPLOYEES' REMUNERATIONS

Of the five individuals with the highest emoluments in the Group, there were no directors whose emoluments are included in the disclosures in note 15 above (2012: one director and the chief executive of the Company). The emoluments of the five (2012: four) individuals were as follows:

| | **2013** | 2012 |
|---|---|---|
| | **US$** | US$ |
| Salaries and other benefits | **175,440** | 139,783 |
| Contributions to retirement benefits scheme | **2,064** | 1,763 |
| | **177,504** | 141,546 |

Their emoluments were within the following bands:

| | **2013 No. of employees** | 2012 No. of employees |
|---|---|---|
| Nil to HK$1,000,000 (equivalent to US$ nil to US$129,000) | **5** | 4 |

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.

## 17. DIVIDENDS

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

## 18. EARNINGS (LOSS) PER SHARE

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

| | 2013 | 2012 |
|---|---|---|
| | US$ | US$ |
| **Earnings (loss)** | | |
| Earnings (loss) for the year attributable to owners of the Company for the purpose of basic earnings (loss) per share | 212,481 | (9,900,497) |
| Effect of dilutive potential ordinary shares: | | |
| Interest on convertible notes | 780,119 | — |
| Change in fair value of derivative components of convertible notes | (2,517,131) | — |
| Loss for the year attributable to owners of the Company for the purpose of dilutive loss per share | (1,524,531) | (9,900,497) |

| | 2013 | 2012 |
|---|---|---|
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share | 683,066,703 | 508,943,648 |
| Effect of dilutive potential ordinary shares: | | |
| Options | 1,007,222 | — |
| Convertible notes | 138,744,230 | — |
| Weighted average number of ordinary shares for the purpose of dilutive loss per share | 822,818,155 | 508,943,648 |

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

## 19. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold improvements US$ | Motor vehicles US$ | Office and other equipment US$ | Total US$ |
|---|---|---|---|---|
| **COST** | | | | |
| At 1 January 2012 | – | 24,890 | 31,764 | 56,654 |
| Exchange adjustments | – | – | 316 | 316 |
| At 31 December 2012 | – | 24,890 | 32,080 | 56,970 |
| Exchange adjustments | – | – | 970 | 970 |
| Additions | 59,275 | – | – | 59,275 |
| At 31 December 2013 | 59,275 | 24,890 | 33,050 | 117,215 |
| **DEPRECIATION AND IMPAIRMENT** | | | | |
| At 1 January 2012 | – | 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 |
| Exchange adjustments | – | – | 897 | 897 |
| Provided for the year | 9,879 | 4,979 | 4,434 | 19,292 |
| At 31 December 2013 | 9,879 | 22,401 | 33,050 | 65,330 |
| **CARRYING VALUES** | | | | |
| At 31 December 2013 | 49,396 | 2,489 | – | 51,885 |
| At 31 December 2012 | – | 7,468 | 4,361 | 11,829 |

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

| | |
|---|---|
| Leasehold improvement | 33% |
| Motor vehicles | 20% |
| Office and other equipment | 10 - 20% |

Office and other equipment which have been fully depreciated remains in use at the end of the reporting period.

## 20. INTANGIBLE ASSETS

| | Contract acquisition costs/spectrum usage rights (note a) US$ | Licensing rights (note b) US$ | Total US$ |
|---|---|---|---|
| **COST** | | | |
| At 1 January 2012 | — | 1,532,893 | 1,532,893 |
| Acquired through acquisition of a subsidiary (note 32) | 24,507,593 | — | 24,507,593 |
| At 31 December 2012 and 31 December 2013 | 24,507,593 | 1,532,893 | 26,040,486 |
| **AMORTISATION** | | | |
| At 1 January 2012 | — | 28,387 | 28,387 |
| Provided for the year | 357,402 | 170,321 | 527,723 |
| Impairment loss recognised in profit or loss | — | 1,334,185 | 1,334,185 |
| At 31 December 2012 | 357,402 | 1,532,893 | 1,890,295 |
| Provided for the year | 306,345 | — | 306,345 |
| At 31 December 2013 | 663,747 | 1,532,893 | 2,196,640 |
| **CARRYING VALUE** | | | |
| At 31 December 2013 | 23,843,846 | — | 23,843,846 |
| At 31 December 2012 | 24,150,191 | — | 24,150,191 |

Note

(a) As disclosed in note 32, the contract acquisition costs represented costs incurred in acquiring a favourable lease agreement which provided 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. In 2012, the contract acquisition costs had finite useful lives and were 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 NYBB, a related party, of which Mr. Wong has equity interest.

During the year ended 31 December 2013, CMMB Vision (USA) entered into a supplementary agreement with NYBB that CMMB Vision (USA) is able to renew the lease period continuously at CMMB Vision (USA)'s discretion. The Directors determined that the lease previously classified as an operating lease becomes a finance lease resulting from modification of the lease agreement after considering the Group's ability and intention to renew the lease. The revised contract is accounted for as a finance lease from the date of modification (i.e. the effective date of the supplementary agreement).

## 20. INTANGIBLE ASSETS *(Continued)*

Note *(Continued)*

(a) *(Continued)*

At the date of modification, the leased asset is recognised in the Group's consolidated statement of financial position. The Directors considered that the remaining present value of the minimum lease payments is insignificant and has not been recognised as the liability. Given that the Group incurred the contract acquisition costs to acquire this favourable lease agreement during the year ended 31 December 2012, the Directors considered that the carrying amount of such contract acquisition costs as at the date of modification of the lease agreement is accounted for as part of the cost of the leased asset namely spectrum usage rights.

The spectrum usage rights have legal rights of 5 years. The Directors are of the view that NYBB is able to renew the license rights with the authority indefinitely at minimal costs. Accordingly, the useful life of the spectrum usage rights is regarded as indefinite.

During the current year, the management conducted an impairment assessment on the contract acquisition costs/ spectrum usage rights. The management determined there is no impairment loss recognised for the year ended 31 December 2013 and 31 December 2012 based on the FVLCTS by reference to the spectrum transacted in New York City as the management considered that the FVLCTS is higher than the carrying amount of contract acquisition costs/ spectrum usage rights.

The FVLCTS of the spectrum usage rights have been determined based on the Comparable Transaction Method. Comparable transactions were selected based on the transaction date, designated use of the spectrum and bandwidth of the spectrum. Furthermore, price paid per MHz per person under coverage of the area was adopted as the valuation multiple to arrive at the FVLCTS of the Company's spectrum usage rights. The Directors are of the opinion that the key assumptions are consistent with external sources of information and believe that any reasonably change in any of these assumptions would not cause the aggregate carrying amount of the spectrum usage rights to exceed the aggregate recoverable amount of the spectrum usage rights.

The Group's intangible assets are categorised into level 3 fair value hierarchy. There were no transfers into or out of Level 3 during the year.

On 13 September 2013, CMMB Vision (USA) entered into a memorandum of understanding ("MOU") with NYBB to acquire three UHF TV station spectrum usage rights in Dallas, Miami and Tempa, U.S.A. On 2 October 2013, CMMB Vision (USA) entered into another MOU with NYBB to acquire a UHF terrestrial TV station spectrum usage right in Atlanta, U.S.A. On 5 November 2013, CMMB Vision (USA) entered into another MOU with NYBB to acquire a free-to-air TV license and UHF spectrum usage rights in San Francisco, U.S.A. On 15 November 2013, CMMB Vision (USA) entered into another MOU with NYBB to acquire a free-to-air TV license and UHF spectrum usage rights in Houston, U.S.A. As at 31 December 2013, all these MOU's have yet to be finalised, where US$8,020,706 (2012: Nil) were paid to NYBB and US$3,000,000 (2012: Nil) were paid to an independent third party.

(b) 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. The licensing rights will be expired in year 2020. As the actual results in the second half of 2012 did not meet the expected results the Directors recognised an impairment loss of US$1,334,185 for the year ended 31 December 2012. As at 31 December 2013, there were no changes to circumstances which led to the impairment in the prior year. Accordingly, no reversal of impairment loss had been made in the current year.

## 21. INTERESTS IN ASSOCIATES

| | 2013 US$ | 2012 US$ |
|---|---|---|
| Deemed cost of unlisted investments in associates | — | — |

Details of the Group's associates as at 31 December 2013 and 2012 are as follows:

| Name of associate | Country of registration and principal place of operation | Paid-up registered capital | Attributable equity interest held by the Group | Principal activity |
|---|---|---|---|---|
| 北京富學傳媒文化有限公司 | PRC | RMB3,000,000 | 30% | Provision of CMMB services |
| 北京德神傳動廣告有限責任公司 | PRC | RMB500,000 | 30% | Provision of CMMB services |

| | 2013 US$ | 2012 US$ |
|---|---|---|
| The unrecognised share of loss of associates for the year | 15,341 | 15,783 |
| Cumulative unrecognised share of loss of associates | 31,124 | — |

The acquisition of above associates was completed in August 2011. The fair value of the relevant associates at the date of acquisition was arrived at by reference to business valuations carried out on that date by an independent valuer, Roma Appraisals Limited, using business valuation techniques which involved certain assumptions of prevailing market conditions and 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 was negligible.

The significant loss on acquisition was mainly attributable to the change in business plans of associates in 2011. Due to keen competition in the PRC since 2011, the original business plan was not as profitable as expected. The associates have changed their business plan to contribute their own production capacity to create a consolidated operating platform with a subsidiary of the Company during the year ended 31 December 2011 before the completion of the acquisition. The associates became inactive since the date of acquisition.

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 the associates, no shares of losses of associates are recognised in both years. The Directors also determined that the amounts in the statement of the financial position of the associates were insignificant and no relevant disclosure is presented.

## 22. TRADE AND OTHER RECEIVABLES

| | 2013 US$ | 2012 US$ |
|---|---|---|
| Trade receivables | **1,177,460** | 927,755 |
| Deposits | **6,190** | 5,447 |
| Prepayments | **210,393** | 266,667 |
| Total trade and other receivables | **1,394,043** | 1,199,869 |

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

There is no trade receivable under CMMB business as at 31 December 2013 and 2012.

The trade receivables are due from two customers under Trading business as at 31 December 2013 and 2012.

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

| | 2013 US$ | 2012 US$ |
|---|---|---|
| 0 - 30 days | **465,235** | 424,254 |
| 31 - 60 days | **432,264** | 433,686 |
| 61 - 90 days | **112,464** | 35,126 |
| 91 - 120 days | **167,497** | 34,689 |
| | **1,177,460** | 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. 76.2% of the trade receivables that are neither past due nor impaired as at 31 December 2013 have no default payment history.

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of US$279,961 (2012: US$69,815) which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold collateral over these balances. The average age of these receivables is 111 days (2012: 105 days).

## 22. TRADE AND OTHER RECEIVABLES *(Continued)*

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

| | 2013 | 2012 |
|---|---|---|
| | US$ | US$ |
| 0 - 30 days | 112,464 | 35,126 |
| 31 - 60 days | 128,400 | 34,689 |
| Over 60 days | 39,097 | — |
| | 279,961 | 69,815 |

The Group has not provided for receivables past due as all overdue amounts have been fully settled subsequent to the end of the reporting period.

## 23. BANK BALANCES AND CASH

Bank balances carry interest at market rates which range from 0.01% to 0.35% (2012: 0.01% to 0.36%) 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:

| | 2013 | 2012 |
|---|---|---|
| | US$ | US$ |
| Hong Kong dollar | 263,744 | 3,758 |
| Renminbi | 6,782 | 427 |

## 24. 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:

| | 2013 | 2012 |
|---|---|---|
| | US$ | US$ |
| 0 - 90 days | **1,349,975** | 1,296,331 |
| 91 - 180 days | **92,322** | 30,153 |
| Over 180 days | **571** | — |
| | **1,442,868** | 1,326,484 |
| Accruals | **359,767** | 554,786 |
| Other payables (note) | **319,332** | — |
| Total trade and other payables | **2,121,967** | 1,881,270 |

Note: The amount represented the surplus received from consultants in relation to the shares placement in 2013.

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

## 25. AMOUNT(S) WITH A RELATED COMPANY AND A DIRECTOR

The amounts represent advances to finance the operations of the Group and are non-interest bearing, unsecured and not repayable within one year from the reporting dates. The related company is controlled by Mr. Wong, accordingly imputed interest on amounts due to the related party and Mr. Wong of US$33,849 and US$39,135 calculated at 5% (2012: 5%) based on the Hong Kong prime rate, has been charged to capital reserve as deemed contribution from a shareholder for the years ended 31 December 2013 and 2012, respectively.

## 26. CONVERTIBLE NOTES

On 14 September 2012, the Company issued 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 32. 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, 31 December 2012 and 31 December 2013 are insignificant.

The Convertible Notes contain a debt component and derivative components (including CN Conversion Option and CN Redemption Option). The derivative components are 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.

The fair value of the Convertible Notes was 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 components are measured at fair values at the date of issue and in subsequent periods with changes in fair value recognised in profit or loss.

## 26. CONVERTIBLE NOTES *(Continued)*

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

| | **31 December 2013** | 31 December 2012 | 14 September 2012 (date of issuance) |
|---|---|---|---|
| Share Price | **HK$0.36** | HK$0.49 | HK$0.46 |
| Conversion Price | **HK$0.33** | HK$0.33 | HK$0.33 |
| Risk-free rate | **0.27%** | 0.11% | 0.25% |
| Option life | **1.7 years** | 2.7 years | 3.0 years |
| Dividend yield | **0%** | 0% | 0% |
| Volatility | **75%** | 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 derivative components are shown as follows:

| | **Debt component US$** | **Derivative components US$** | **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 |
| Effective interest expenses | 780,119 | — | 780,119 |
| Change in fair value of convertible notes | — | (2,517,131) | (2,517,131) |
| At 31 December 2013 | 4,333,491 | 2,515,127 | 6,848,618 |

## 27. SHARE CAPITAL

| | Number of shares | Nominal value HK$ | Shown as US$ |
|---|---|---|---|
| Authorised: | | | |
| Ordinary shares of HK$0.1 each as at 31 December 2012 and 31 December 2013 | 5,000,000,000 | 500,000,000 | |
| Issued and fully paid: | | | |
| Ordinary shares of HK$0.01 each as at 1 January 2012 | 4,498,222,000 | 44,982,220 | 5,804,157 |
| Share consolidation (note i) | (4,048,399,800) | — | — |
| | 449,822,200 | 44,982,220 | 5,804,157 |
| Issue of new shares (note ii) | 149,687,588 | 14,968,758 | 1,931,453 |
| Exercise of share options (note 30) | 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 |
| Issue of new shares (note iii) | 220,445,957 | 22,044,597 | 2,844,464 |
| Ordinary shares of HK$0.1 each as at 31 December 2013 | 860,175,745 | 86,017,575 | 11,099,042 |

Notes:

(i) 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.

(ii) 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 27(i))) 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 32).

## 27. SHARE CAPITAL *(Continued)*

Notes: *(Continued)*

(iii) On 30 July 2013, the Company entered into subscription agreements with the subscribers for the subscription of an aggregate 20,000,000 new shares for an aggregate consideration of HK$9,300,000 at the subscription price of HK$0.465 per subscription share.

On 15 August 2013, the Company entered into subscription agreements with the subscribers for the subscription of an aggregate 52,000,000 new shares for an aggregate consideration of HK$24,180,000 at the subscription price of HK$0.465 per subscription share.

On 11 September 2013, the Company entered into subscription agreements with the subscribers for the subscription of an aggregate 55,945,957 new shares for an aggregate consideration of HK$29,091,897 at the subscription price of HK$0.520 per subscription share.

On 6 December 2013, the Company entered into subscription agreements with the subscribers for the subscription of an aggregate 92,500,000 new shares for an aggregate consideration of HK$37,000,000 at the subscription price of HK$0.40 per subscription share.

The proceeds were used to provide additional working capital for the Company. The new shares rank pari passu with the existing shares in all respects.

## 28. 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 Global Technology International Limited acquired pursuant to a group reorganisation on 5 July 2005.

## 29. DISTRIBUTABLE RESERVE

On 29 April 2009, the authorised and issued share capital of the Company was reduced through a reduction in the nominal value of each share from HK$0.10 to HK$0.01. The capital reduction amount was transferred to distributable reserve.

## 30. 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.

## 30. SHARE OPTION SCHEME *(Continued)*

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.

On 28 October 2011, the General Scheme Limit was renewed and approved by the shareholders in an extraordinary general meeting. As at 31 December 2012, the total number of shares available for issue in respect thereof was 63,972,978 (as adjusted by the effect of share consolidation (note 27(i)) representing 10% of the total issued shares on 28 October 2011.

On 25 November 2013, the General Scheme Limit was renewed and approved by the shareholders in an extraordinary general meeting. As at 31 December 2013, the total number of share available for issue in respect of thereof was 153,535,149 representing 20% of the total issued shares on 25 November 2013.

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.

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.

## 30. SHARE OPTION SCHEME *(Continued)*

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 27(i)) were as follows:

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

## 30. SHARE OPTION SCHEME *(Continued)*

| Category | Date of grant | Exercise price HK$ | Exercise period | Number of share options: Outstanding at 1/1/2012 | Granted during the year | Exercised during the year | Lapsed/ forfeited during the year | Outstanding at 31/12/2012 and 1/1/2013 | Lapsed/ forfeited during the year | Outstanding at 31/12/2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| (ii) **Employees** | 25 September 2009 | 1.19 | 25 September 2009 to 23 November 2012 | 550,000 | – | – | (550,000) | – | – | – |
| | 24 November 2009 | 1.46 | 24 November 2009 to 23 November 2012 | 64,400 | – | – | (64,400) | – | – | – |
| | 3 June 2010 | 1.21 | 3 June 2010 to 2 June 2013 | 3,000,000 | – | – | – | 3,000,000 | (3,000,000) | – |
| | 18 June 2010 | 1.25 | 18 June 2010 to 17 June 2013 | 1,351,000 | – | – | – | 1,351,000 | (1,351,000) | – |
| Total Employees | | | | 4,965,400 | – | – | (614,400) | 4,351,000 | (4,351,000) | – |
| (iii) **Consultants** | 25 September 2009 | 1.19 | 25 September 2009 to 24 September 2012 | 3,900,000 | – | – | (3,900,000) | – | – | – |
| | 24 November 2009 | 1.46 | 24 November 2009 to 23 November 2012 | 10,390,000 | – | – | (10,390,000) | – | – | – |
| | 23 February 2010 | 1.21 | 23 February 2010 to 22 February 2013 | 269,500 | – | – | – | 269,500 | (269,500) | – |
| | 3 June 2010 | 1.21 | 3 June 2010 to 2 June 2013 | 20,400,000 | – | – | – | 20,400,000 | (20,400,000) | – |
| | 18 June 2010 | 1.25 | 18 June 2010 to 17 June 2013 | 2,000,000 | – | – | – | 2,000,000 | (2,000,000) | – |
| | 23 November 2011 | 0.4 | 23 November 2011 to 22 November 2014 | 44,982,220 | – | (37,480,000) | – | 7,502,220 | – | 7,502,220 |
| | 19 November 2012 | 0.5 | 19 November 2012 to 18 November 2015 | – | 45,000,000 | (2,740,000) | – | 42,260,000 | – | 42,260,000 |
| Total consultants | | | | 81,941,720 | 45,000,000 | (40,220,000) | (14,290,000) | 72,431,720 | (22,669,500) | 49,762,220 |
| Total | | | | 95,782,120 | 45,000,000 | (40,220,000) | (22,104,400) | 78,457,720 | (28,695,500) | 49,762,220 |
| Exercisable at the end of the year | | | | 95,782,120 | | | | 78,457,720 | | 49,762,220 |
| Weighted average exercise price (HK$) | | | | 0.9 | 0.52 | 0.41 | 1.36 | 0.76 | 1.21 | 0.5 |

The share options vested immediately on the date of grant.

## 30. SHARE OPTION SCHEME *(Continued)*

During the year ended 31 December 2012, share options of 45,000,000 were granted on 19 November 2012 to certain consultants. 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). 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% |

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.

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 related to equity settled share-based payment transactions for the year ended 31 December 2012. These were no equity share-based transactions in the current year.

## 31. 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 shareholders regarding the non-interest bearing advances.

## 32. ACQUISITION OF AN ASSET THROUGH ACQUISITION OF A SUBSIDIARY

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 26 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 NYBB, a related party, of which Mr. Wong 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 Directors consider 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 were 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.

## 32. ACQUISITION OF AN ASSET THROUGH ACQUISITION OF A SUBSIDIARY *(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.

## 33. MAJOR NON-CASH TRANSACTIONS

As set out in note 13, the Group had withholding taxes on foreign income for the year ended 31 December 2013. The withholding taxes were settled by way of deduction from the gross invoice amount by the customer prior to remittance to the Group.

As set out in note 32, 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 31 December 2012.

## 34. OPERATING LEASES

**The Group as lessee**

Minimum lease payments paid under operating leases of an office and site premises for the operation of TV transmission antenna and related transmission equipment were US$103,465 (2012: US$490,598) and US$323,691 (2012: US$47,600), respectively.

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

| | **2013** | | | 2012 |
|---|---|---|---|---|
| | **Site premises US$** | **Office US$** | **Total US$** | Site premises US$ |
| Within one year | **332,750** | **123,738** | **456,488** | 324,680 |
| In the second to fifth years inclusive | **690,431** | **164,984** | **855,415** | 1,025,981 |
| Over five years | **—** | **—** | **—** | 16,900 |
| | **1,023,181** | **288,722** | **1,311,903** | 1,367,561 |

## 34. OPERATING LEASES *(Continued)*

**The Group as lessee** *(Continued)*

Operating lease payments solely represent leases payable by the Group for an office and site premises for the operation of TV transmission antenna and related transmission equipment. Lease terms are negotiated for a term ranged from one to three years (2012: one to twenty years) with fixed rentals.

Site premises represent commitments for future minimum lease payments under non-cancellable operating leases with NYBB, a related party of the Group.

## 35. CAPITAL COMMITMENTS

| | **2013** | 2012 |
|---|---|---|
| | **US$** | US$ |
| Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of intangible assets | **19,950,000** | – |

## 36. 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$1,250 (approximately US$160) effective from 1 June 2012 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$2,064 (2012: US$13,042) represents contributions payable to these schemes by the Group in respect of the current year. As at 31 December 2013, contributions of US$322 (2012: US$988) due in respect of the reporting period had not been paid over to the scheme.

## 37. RELATED PARTY DISCLOSURES

Save as disclosed above for those related party transactions and related party balances set out in the consolidated financial statements, the Group had the following significant transactions with related parties during the year:

| Name of related parties | Nature of transactions | 2013<br>US$ | 2012<br>US$ |
|---|---|---|---|
| Chi Capital Partners Limited | Rental paid | **45,600** | 480,124 |
| NYBB | Rental paid | **323,691** | 47,600 |

### Compensation of key management personnel

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

| | 2013<br>US$ | 2012<br>US$ |
|---|---|---|
| Short-term benefits | **—** | 92,739 |

The emoluments of key management personnel are determined by the remuneration committee having regard to the performance of individuals and market trends. For the year ended 31 December 2013, no short-term benefits have been received by the key management personnel for their services to the Group.

## 38. EVENTS AFTER THE REPORTING PERIOD

(i) On 13 January 2014, CMMB Vision (USA) entered into an MOU with NYBB and paid a deposit amounting to US$168,000 to acquire a free-to-air UHF TV license usage right in Los Angeles, U.S.A. As at the date of this report, the MOU has yet to be finalised.

(ii) On 3 March 2014, the Company entered into subscription agreements with subscribers for the subscription of an aggregate 61,035,149 new shares for an aggregate consideration of HK$15.87 million (US$2.0 million) at a subscription price of HK$0.260 per subscription share (the "Placement"). The Placement was completed on 5 March 2014. The proceeds will be used to provide additional working capital for the Company. The new shares rank pari passu with the existing shares in all respects.

## 39. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

(a) Particulars of the Company's subsidiaries as at 31 December 2013 and 2012 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 | | | | Proportion of voting power held by the Company | | | | Principal activities |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Directly | | Indirectly | | Directly | | Indirectly | | |
| | | | | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | |
| Global Flex Trading Center Limited | Samoa/ Taiwan | Ordinary | ** US$2,000,000 | 100% | 100% | — | – | 100% | 100% | — | – | Provision of agency services |
| Glactic Venture Holdings Limited | British Virgin Islands | Ordinary | US$1 | 100% | 100% | — | – | 100% | 100% | — | | Investment holding |
| Grand Regal Capital Limited | British Virgin Islands | Ordinary | US$1 | — | – | 100% | 100% | — | – | 100% | 100% | Investment holding |
| * CMMB Vision (Beijing) Company Limited | The PRC | Capital contribution | US$63,000 | — | – | 100% | 100% | — | – | 100% | 100% | Inactive |
| CMMB Holdings Limited | Hong Kong | Ordinary | HK$10,000 | 95% | 95% | — | – | 95% | 95% | — | – | Investment holding |
| CMMB SAT Limited | Hong Kong | Ordinary | HK$500 | 100% | 100% | — | – | 100% | 100% | — | – | Provision of administrative service |
| Newell Top Limited | British Virgin Islands | Ordinary | US$50,000 | — | – | 100% | 100% | — | – | 100% | 100% | Provision of agency services |
| CMMB International Limited | Hong Kong | Ordinary | HK$10,000 | — | – | 65% | 65% | — | – | 65% | 65% | Holding of a licensing right |
| CMMB Vision (USA) | USA | Ordinary | US$10,000 | 51% | 51% | — | – | 51% | 51% | — | – | Provision of transmission and broadcasting of television programs |

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

** The registered capital has not been paid up as at 31 December 2013 and 2012.

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

## 39. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

### (b) Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of the non-wholly owned subsidiaries of the Company that has material non-controlling interests:

| Name of subsidiary | Place of incorporation and principal place of business | Proportion of ownership interests and voting rights held by non-controlling interests | | Loss allocated to non-controlling interests | | Accumulated non-controlling interests | |
|---|---|---|---|---|---|---|---|
| | | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| | | | | **US$** | US$ | **US$** | US$ |
| CMMB Vision (USA) | USA | **49%** | 49% | **(505,632)** | (188,179) | **11,106,171** | 11,611,803 |
| CMMB International Limited | Hong Kong | **65%** | 65% | **—** | (526,577) | **(350,000)** | (350,000) |
| Individually immaterial subsidiaries with non-controlling interests | | | | | | **(8)** | (8) |
| | | | | | | **10,756,163** | 11,261,795 |

Summarised financial information in respect of the Group's subsidiaries that has a material non-controlling interest is set out below. The summarised financial information below represents amounts before intragroup eliminations.

## 39. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

### (b) Details of non-wholly owned subsidiaries that have material non-controlling interests *(Continued)*

***CMMB Vision (USA)***

| | 2013 US$ | 2012 US$ |
|---|---|---|
| Current assets | **105,872** | 267,164 |
| Non-current assets | **34,864,552** | 24,150,191 |
| Non-current liabilities | **(10,629,322)** | (719,798) |
| Equity attributable to owners of the Company (note) | **13,234,931** | 12,085,754 |
| Non-controlling interests | **11,106,171** | 11,611,803 |

| | 2013 US$ | 2012 US$ |
|---|---|---|
| Revenue | **590,000** | 149,196 |
| Expenses | **(1,651,511)** | (533,235) |
| Loss for the year | **(1,061,511)** | (384,039) |
| Loss and total comprehensive expense attributable to owners of the Company | **(555,879)** | (195,860) |
| Loss and total comprehensive expense attributable to non-controlling interests | **(505,632)** | (188,179) |
| Loss and total comprehensive expense for the year | **(1,061,511)** | (384,039) |
| Net cash outflow from operating activities | **(458,888)** | (293,304) |
| Net cash outflow from investing activities | **(11,020,704)** | — |
| Net cash inflow from financing activities | **11,584,971** | 293,801 |
| Net cash inflow | **105,375** | 497 |

Note: Included in equity attributable to owners of the Company for the year ended 31 December 2013 is a capital reserve arising from deemed contributions from the Company in relation to an interest free advance.

## 39. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

### (b) Details of non-wholly owned subsidiaries that have material non-controlling interests *(Continued)*

***CMMB International Limited***

| | **2013** | 2012 |
|---|---|---|
| | **US$** | US$ |
| Current assets | **45** | 45 |
| Non-current liabilities | **(2,454,010)** | (2,454,010) |
| Equity attributable to owners of the Company | **(2,103,965)** | (2,103,965) |
| Non-controlling interests | **(350,000)** | (350,000) |

| | **2013** | 2012 |
|---|---|---|
| | **US$** | US$ |
| Expenses | — | (1,505,074) |
| Loss for the year | — | (1,505,074) |
| Loss and total comprehensive expense attributable to owners of the Company | — | (978,497) |
| Loss and total comprehensive expense attributable to non-controlling interests | — | (526,577) |
| Loss and total comprehensive expense for the year | — | (1,505,074) |

There were no cash transactions during the year ended 31 December 2013 and 2012.

# Summary Financial Information of the Company

| | 2013 | 2012 |
|---|---|---|
| | US$ | US$ |
| **NON-CURRENT ASSETS** | | |
| Property, plant and equipment | **49,396** | — |
| Investments in subsidiaries | **14,228,578** | 12,410,356 |
| Amounts due from subsidiaries | **3,975,864** | 592,180 |
| | **18,253,838** | 13,002,536 |
| **CURRENT ASSETS** | | |
| Bank balances and cash | **290,448** | 25,476 |
| **CURRENT LIABILITIES** | | |
| Other payables | **650,767** | 540,145 |
| **NET CURRENT LIABILITIES** | **(360,319)** | (514,669) |
| | **17,893,519** | 12,487,867 |
| **CAPITAL AND RESERVES** | | |
| Share capital | **11,099,042** | 8,254,578 |
| Reserves | **(2,170,420)** | (6,503,206) |
| Total equity | **8,928,622** | 1,751,372 |
| **NON-CURRENT LIABILITIES** | | |
| Amounts due to subsidiaries | **1,488,160** | 1,417,287 |
| Convertible notes | **4,333,491** | 3,553,372 |
| Derivative financial instruments | **2,515,127** | 5,032,258 |
| Amount due to a related company | **628,119** | 375,667 |
| Amount due to a director | **—** | 357,911 |
| | **8,964,897** | 10,736,495 |
| | **17,893,519** | 12,486,867 |

## RESERVES

| | Share premium US$ | Merger reserve US$ | Distributable reserve US$ | Share option reserve US$ | Capital reserve US$ | Accumulated losses US$ | Total US$ |
|---|---|---|---|---|---|---|---|
| At 1 January 2012 | 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) |
| Loss for the year and total comprehensive expense for the year | **—** | **—** | **—** | **—** | **—** | **(5,669,440)** | **(5,669,440)** |
| Forfeiture of share options | **—** | **—** | **—** | **(2,569,917)** | **—** | **2,569,917** | **—** |
| Issue of shares | **10,003,523** | **—** | **—** | **—** | **—** | **—** | **10,003,523** |
| Transaction costs related in issue of shares | **(32,787)** | **—** | **—** | **—** | **—** | **—** | **(32,787)** |
| Deemed capital contribution from a shareholder | **—** | **—** | **—** | **—** | **31,490** | **—** | **31,490** |
| At 31 December 2013 | **58,401,200** | **31,987,096** | **18,464,516** | **1,764,546** | **2,105,473** | **(114,893,251)** | **(2,170,420)** |

# Financial Summary

## RESULTS

| | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012 | **2013** |
| | US$ | US$ | US$ | US$ | **US$** |
| | (restated) | (restated) | | | |
| Turnover | – | – | – | 266,227 | **713,774** |
| (Loss) Profit for the year | (43,630,161) | (21,548,313) | 6,045,271 | (10,615,261) | **(293,151)** |

## ASSETS AND LIABILITIES

| | As at 31 December | | | | |
|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012 | **2013** |
| | US$ | US$ | US$ | US$ | **US$** |
| Total assets | 38,500,195 | 37,414,120 | 3,028,781 | 26,184,766 | **37,187,635** |
| Total liabilities | (46,838,823) | (48,405,726) | (1,981,674) | (11,247,525) | **9,694,496** |
| Shareholders' (deficits) funds | (8,338,628) | (10,991,606) | 1,047,107 | 14,937,241 | **27,493,139** |

Note: The results for four years ended 31 December 2012, and the assets and liabilities as at 31 December 2009, 2010, 2011 and 2012 have been extracted from the Company's respective years' annual reports.