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)

ANNUAL REPORT 2018

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

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

MEMBERS OF AUDIT COMMITTEE

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

MEMBERS OF REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Ms. CHAN Pui Yee Janice, FCCA and HKICPA

AUTHORISED REPRESENTATIVES

Mr. WONG Chau Chi
Ms. CHAN Pui Yee Janice

AUDITOR

HLM CPA Limited

LEGAL ADVISOR AS TO HONG KONG LAW

Luk & Partners, in Association with
Morgan, Lewis & Bockius

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

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100 Cyberport Road, Hong Kong
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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
17M Floor, Hopewell Centre
183 Queen's Road East, Wan Chai
Hong Kong

Stock Code: 471

Five-Year Financial Summary

	For the year ended 31 December				
	2014	2015	2016	2017	**2018**
	US$'000	US$'000	US$'000	US$'000	**US$'000**
OPERATING RESULTS					
Revenue	5,810	8,669	6,089	7,034	**6,470**
Gross profit	330	457	1,847	2,730	**2,455**
Finance costs	(866)	(1,698)	(2,092)	(1,960)	**(4,102)**
Profit (loss) before tax	(2,119)	(21,665)	(16,737)	(6,256)	**22,751**
Income tax expense	(87)	(66)	(59)	(187)	**–**
Profit (loss) for the year	(2,206)	(21,731)	(16,796)	(6,443)	**22,751**
Earnings (loss) per share (in US cents)	(0.09)	(4.18)	(1.10)	(0.32)	**0.94**

	As at 31 December				
	2014	2015	2016	2017	**2018**
	US$'000	US$'000	US$'000	US$'000	**US$'000**
ASSETS AND LIABILITIES					
Non-current assets	61,990	135,470	198,473	201,286	**332,690**
Current assets	11,764	14,238	19,010	19,259	**13,042**
Total assets	73,754	149,708	217,483	220,545	**345,732**
Convertible notes	(6,478)	(18,622)	(20,712)	(16,145)	**(51,668)**
Other liabilities	(2,783)	(1,601)	(3,863)	(3,756)	**(8,231)**
Total liabilities	(9,261)	(20,223)	(24,575)	(19,901)	**(59,899)**
Net assets	64,493	129,485	192,908	200,644	**285,833**
Equity attributable to owners of the Company	53,966	101,661	164,553	172,110	**259,356**
Non-controlling interests	10,527	27,824	28,355	28,534	**26,477**
Total equity	64,493	129,485	192,908	200,644	**285,833**

Note: The annual results for the four years ended 31 December 2017, and the assets and liabilities as at 31 December 2014, 2015, 2016 and 2017 have been extracted from the Company's respective years' annual reports.

Chairman's Statement

Dear Shareholders:

This year's profit turnaround is an attestation of value built through the Company's years of hard work into providing comprehensive connectivity services for smart-cars in China. After the completion of the Silkwave Holdings Limited ("Silkwave Holdings") acquisition, the Company is one-step closer to providing converged satellite-mobile infotainment services. The Company can leverage future opportunities through Silkwave Holdings by minimising capital outlay while maximising revenue potentials.

We have reached many milestones over the years: adopting TM-Box by the Telematics Industry Applications Alliance ("TIAA") as an industry standard, designing-in TM-Box with original equipment manufacturers ("OEM") into future new car series, partnering with a mobile carrier to integrate satellite broadcasting with terrestrial 4G (and in the future 5G) to create a nationwide converged network, and forming a joint-venture with a Chinese media company for future commercial service operation.

This year, we made further strides with:

- Signing memorandum of understandings with 7 major OEMs for preinstalling TM-Box into the automobile distribution network;

- Extending technical trials to over 1 million km and 87,900 hours of testing, covering 16 cities and 14 provinces using 400 concept-cars;

- Releasing a total of 11 technology standards on satellite-mobile multimedia network convergence and transmission to steer ecosystem development;

- Launching the "XingYun" app downloadable to Android and iOS-based devices for users to access our 150+ audio and video channels and programs tailored to in-car and mobile environments; and

- Creating the ITU-T SG16 Vehicular Multimedia Focus Group at the United Nation's ("UN") ITU ("International Telecommunication Union") based on our converged multimedia technology to move toward a global standard.

Our main task in 2019 will be to launch beta services to solidify our service offerings amongst the auto industry participants and users, which we envision will include: 1) live and on-demand in-car multimedia infotainment, 2) telematics, and 3) government essential information broadcasting. The advantages of our services include extensive and ubiquitous geographical coverage, abundant audio-video programming, and data-charge-free mobile content downloading. With our technology, we will be a first-mover in providing rich and diverse infotainment services to consumers with unparalleled economies of scale. In addition, the Company will focus on the deployment of businesses outside of China, modelling after the China ecosystem to quickly develop overseas markets.

The Company would like to express its appreciation to our staff for our achievements to date. The Board wishes to extend its gratitude to the continuous support from its shareholders, customers, and business partners. We will continue to forge forward in 2019 to create greater value for our shareholders and stakeholders.

WONG Chau Chi
Chairman and Executive Director

Hong Kong, 28 March 2019

Management Discussion and Analysis

REVIEW OF BUSINESS OPERATIONS

The principal activity of CMMB Vision Holdings Limited (the "Company") is investment holding whilst its subsidiaries are mainly engaged in the provision of Convergent Mobile Multimedia Broadcasting ("CMMB"), the next generation of convergent satellite-mobile multimedia infotainment broadcasting service, and the trading of printed circuit board ("PCB").

CMMB Business

The Company currently has a portfolio of 11 UHF spectrum television ("TV") stations in the United States of America ("US"), situated over eight large metropolitan cities, including New York, Los Angeles, San Francisco, Dallas, Houston, Atlanta, Miami and Tampa. The portfolio gives us a wide spectrum coverage for delivering free-to-air digital TV programming to a large audience base with operational efficiency and broad revenue opportunities. It also positions us well for deploying the next-generation of CMMB platform which extends the delivery of new media services from homes to mobile users and vehicle users.

The Company's CMMB/NGB-W ("Next Generation Broadcasting Wireless") satellite-mobile digital broadcasting technology converges the capabilities of space, terrestrial TV and telecom (4G/5G) and internet/Wi-Fi technologies to create an interactive ubiquitous broadcasting system. In the US, we are preparing our wireless UHF TV network for potential deployment of the CMMB-LTE technology. In China, we have been proactively pursuing opportunities to support a 3-way convergence network comprising of TV, telecom and internet technologies. Our current primary focus is on mobile TV and infotainment services based on the CMMB standards, with a goal of promoting CMMB-based services, solutions and innovations in China and other markets around the world.

Our convergent satellite-mobile broadcasting technology has already completed its initial trial testing by conducting road tests with concept-cars and covered over 16 cities in China, including Beijing, Changchun, Wuhan, Chongqing, Baoding, Chengdu, Taiyuan, Hefei, Harbin, Daqing, Shenzhen, Xiamen, Jiaxing, Nanjing, Danyang and Huizhou. The road test travelled over 1 million kilometres, accumulating more than 87,900 hours of testing. It is now in the process of preparing to apply for the relevant licenses in China in preparation of a soft commercial trial launch. Silkwave Holdings Limited ("Silkwave Holdings") continues to collaborate with original equipment manufacturers ("OEMs") in the auto-manufacturing sector to design-in pre-installations our technology into new cars and partners with other academic research and development centres to enhance and promote our technology. Recently, the "XingYun" app was launched on the Android and iOS platforms to showcase our technology and ecosystem and to allow users to freely enjoy live entertainment broadcasts on their mobile devices.

Trading Business

The trading business is a challenging sector to operate due to highly competitive pressures and low profit margins. In response to rising labour and material costs, manufacturers are diversifying their facilities to other Asian countries to lower and manage costs. This diversification leads to an increase in competition from other trading agents vying for a share of the PCB market, putting a strain on an already thin operating margin for the sector.

FINANCIAL REVIEW

For the year ended 31 December 2018, the Group recorded a profit for the year of US$22,751,000 (2017: loss of US$6,443,000), representing a turnaround. Earnings per share was approximately US0.94 cents (2017: loss per share of US0.32 cents) and net assets per share of the Group was approximately US10.8 cents (2017: US7.6 cents).

During the year ended 31 December 2018, the Group is engaged in the provision of transmission and broadcasting of television programs and trading of PCB materials with a revenue of US$6,470,000 (2017: US$7,034,000). The decrease in revenue of US$564,000 or 8.0% was mainly due to a decrease in trading of PCB materials by US$702,000 and offset by an increase in TV rental income of US$138,000.

Cost of sales mainly includes direct cost of goods sold, staff costs, operating lease payments. The decrease in cost of sales of US$289,000 or 6.7% was due to a decrease in direct costs and cost of goods sold of US$207,000 and a decrease in operating lease payments of US$128,000 for the year ended 31 December 2018.

Gross profit has decreased from US$2,730,000 in 2017 to US$2,455,000 in 2018, a decrease of 10.1%, primarily attributed to lower margins on TV rental income. The trading of PCB materials' contribution to the gross profit during the year was insignificant.

Administrative expenses have remained consistent for the year ended 31 December 2018, increasing by 0.2% to US$2,029,000 as compared to the US$2,025,000 for the year ended 31 December 2017. It is composed of headquarter staff costs, office rent and general administrative expenses.

Market development and promotion expenses decreased by 7.8% to US$4,064,000 (2017: US$4,406,000) which include consultancy service fees for business development, travelling expenses for attending business conferences and meetings, as well as research and development costs. The decrease in market development and promotion expenses was due to research and development activities being conducted by Silkwave Holdings in the latter half of the year.

Other expenses for the year ended 31 December 2018 amounted to US$1,308,000 (2017: US$1,853,000) include listing fees, printing charges and corporate legal and professional fees for the proposed acquisitions and other corporate transactions.

Finance costs for the Group for the year ended 31 December 2018 amounted to US$4,102,000 (2017: US$1,960,000) which mainly represents the effective interest expense on the convertible notes. The Group did not have any bank and other borrowings during the year.

For the 2021 Convertible Notes, a principal amount of US$17,589,000 which was due for repayment in 2021 was redeemed at the redemption amount of US$17,589,000 during the year. Accordingly, a gain on redemption of convertible notes of US$3,428,000 (2017: US$1,257,000) was recorded.

Management Discussion and Analysis

As set out in note 19 to the consolidated financial statements, the Company completed the acquisition of 20% equity interest in Silkwave Holdings ("Acquisition") and a call option to acquire an additional 31% equity interest in Silkwave Holdings on 29 May 2018. The consideration for the Acquisition was US$240,000,000, which was satisfied by (i) a cash payment of US$94,000,000; (ii) the issuance of convertible notes maturing on 28 May 2025 at the initial conversion price of HK$0.40 with a principal amount of US$96,000,000 and (iii) an equity contribution of US$50,000,000, being the disposal of the Company's 49% equity interest in Global Vision Media Technology Co. Ltd and transferring it into Silkwave Holdings ("Disposal"). The Disposal was also completed on 29 May 2018. As a result, the Company recognised a gain on disposal of assets classified as held for sale, being the Disposal, of US$42,829,000 during the year.

The Company shared a loss of US$5,369,000 for its 20% interest in Silkwave Holdings, which is primarily comprised of depreciation and amortisation expense, research and development and other operating expenses.

The impairment loss recognised on intangible assets for the year ended 31 December 2018 was US$9,091,000 (2017: Nil) as management of the Group determined that the recoverable amount is lower than the carrying amount of the cash generating units arising from intangible assets.

In the US, the Federal Communications Commission ("FCC") regulates the licensing of wireless spectrums, including our UHF TV spectrums. With the proliferation of wireless devices, telecom operators experienced a surge in the demand for wireless spectrum. Consequently, the FCC has reallocated its spectrum frequencies by repurposing a portion of the frequencies from TV operators to telecom operators. After this reallocation, previous TV spectrum licensees who choose to continue their business operations must reapply for a frequency reassignment. Where there were more than one operator applying for a frequency range, the applicants may choose to collaborate and jointly file with the FCC or bid in an auction for the rights of such frequency range.

In 2018, the Company has commenced filing for frequency reassignment for its UHF TV spectrums. As a result, the Company now has 11 TV stations, of which 2 stations are now under a co-sharing arrangement (Dallas and Houston) and another 5 stations are pending outcome (New York, Los Angeles, Miami and San Francisco). For the confirmed station displacements, the Company has recognised an impairment in the second half of 2018. For the pending stations, the Company will pursuit a full spectrum license for each of the stations; should these suffer further displacements in the future, the Company will recognise an impairment to reflect the potential decrease in the Company's TV broadcasting capacity.

The basis of the recoverable amounts of the above spectrum usage rights and their underlying assumptions are summarised below:

The recoverable amount of the spectrum usage rights has been determined based on a value-in-use ("VIU") calculation. The calculation uses cash flow projections based on financial budgets approved by the management covering a three-year period at a discount rate of 10.44% (2017: 13.11%). The spectrum usage rights' cash flow beyond the three-year period are extrapolated using a steady growth rate of 2.20% per annum. (2017: 2.35%). This growth rate is based on projected inflation published by the International Monetary Fund.

A key assumption for the VIU calculations relate to the estimation of the budgeted revenue, which assumes the current contracted capacity will continue for the next three-years, while the unutilised capacity will be filled at 10% increments per quarter until it reaches a 80% filled rate in the third-year; a terminal-year fill rate of 95% was assumed for both contracted and unutilized capacities. Furthermore, as a result of changes in US tax regulations, a change in key assumptions for the VIU calculations include the US income tax rate of 24% (2017: 38%).

Sensitivity analyses have been carried out based on: (i) a reduction in the budgeted sales growth for the unutilised capacity resulting in filled rate increments of 5% per quarter while maintaining a terminal-year fill rate of 95%, which would led to a reduction in the VIU amount for certain spectrums and an increase in the impairment loss recognised on intangible assets of $1,792,000; and (ii) an increase in the budgeted sales growth for the unutilised capacity resulting in filled rate increments of 15% per quarter while maintaining a terminal-year fill rate of 95%, which would led to an increase in the VIU amount for certain spectrums and a reduction in the impairment loss recognised on intangible assets of $710,000. The calculations are based on management's assessment of possible changes in the sales growth assumption, which is hypothetical and should not be viewed as an indication on the likelihood of its occurrence. The sensitivity analyses should therefore be interpreted with caution.

Management evaluated the fair value of financial assets by way of objective evidence, including but not limited to business forecasts and project timelines, etc. Changes in the fair value of financial assets has been recorded through the consolidated profit or loss statement as a gain or loss for the period.

FINAL DIVIDEND

The Board did not recommend a payment of final dividend for the year ended 31 December 2018.

LIQUIDITY AND FINANCIAL RESOURCES

The total equity attributable to the owners of the Company increased to US$259,356,000 as at 31 December 2018 as compared with US$172,110,000 in 2017, which was mainly attributed to the proceeds from the share placements completed on 12 April and 24 September 2018. Current assets amounted to US$13,042,000 (2017: US$19,259,000) comprising bank balances and cash of US$2,360,000 (2017: US$1,181,000), trade and other receivables of US$1,487,000 (2017: US$3,780,000), amount due from a related company of US$9,131,000 (2017: US$7,127,000) and amount due from an associate of US$64,000 (2017: Nil). Current liabilities amounted to US$8,231,000 (2017: US$3,756,000) representing trade and other payables of US$8,009,000 (2017: US$3,534,000) and tax payable of US$222,000 (2017: US$222,000). As at 31 December 2018, the Group's current ratio was 1.6 (2017: 5.1).

On 3 April 2018, the Company entered into subscription agreements with subscribers for the subscription of an aggregate 375,000,000 new shares for an aggregate consideration of approximately HK$90,000,000 at the subscription price of HK$0.24 per subscription share. The subscription was completed on 12 April 2018. The intent of the proceeds was to provide general working capital for the Company.

On 11 September 2018, the Company entered into subscription agreements with subscribers for the subscription of an aggregate 459,140,625 new shares for an aggregate consideration of approximately HK$58,770,000 at the subscription price of HK$0.128 per subscription share. The subscription was completed on 24 September 2018. The intent of the proceeds was to provide general working capital for the Company.

INDEBTEDNESS

Convertible notes of the Group as at 31 December 2018 amounted to US$51,668,000 (2017: US$16,145,000). The gearing ratio (a ratio of total loans to total assets) was 14.9% (2017: 7.3%), reflecting the Group's financial position was at a sound level. Other than convertible notes, the Group did not have any bank borrowings as at 31 December 2018 (2017: Nil).

As at 31 December 2018, neither the Group nor the Company has any significant contingent liabilities.

PLEDGE OF/CHARGE ON ASSETS

As at 31 December 2018, neither the Group nor the Company has pledged or charged its assets to secure its borrowings (2017: Nil).

OFF-BALANCE SHEET TRANSACTIONS

As at 31 December 2018, the Group did not enter into any material off-balance sheet transactions.

EVENTS AFTER THE REPORTING PERIOD

On 11 January 2019, the Company entered into subscription agreements with subscribers for the subscription of an aggregate 66,081,535 new shares for an aggregate consideration of approximately HK$7,137,000 at the subscription price of HK$0.108 per subscription share. The subscription was completed on 21 January 2019. The intent of the proceeds was to provide general working capital for the Company.

FOREIGN CURRENCY EXCHANGE RISK

Most of the assets, liabilities and transactions of the Group are denominated in United States dollars. Management of the Group considers the impact of foreign exchange risk to the Group to be insignificant and therefore, the Group did not make any hedging arrangements in the year ended 31 December 2018.

SEGMENT INFORMATION

Details of segmental information of the Group are set out in note 7 to the consolidated financial statements.

EMPLOYEE BENEFITS

The average number of employees of the Group for the year ended 31 December 2018 was approximately 30 (2017: 30). The Group's staff costs (including directors' fees and emoluments) for the year ended 31 December 2018 amounted to US$1,432,000 (2017: US$1,139,000). The Group offers a competitive remuneration package to retain elite employees, including salaries, medical insurance, discretionary bonuses, other fringe benefits and, for employees in Hong Kong, the mandatory provident fund scheme. The remuneration policy of the Group is reviewed annually and is in-line with prevailing market practices.

The Group also adopted a share option scheme for the purposes of providing incentives and rewards to eligible participants to recognise their contribution to the Group and enhance their sense of ownership. During the year, the Company did not grant any share options to its directors, employees and consultants as provided for under the Company's share option scheme adopted on 18 December 2015.

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.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the eligibility of shareholders to attend the Annual General Meeting, which will be held on 29 May 2019, the register of members of the Company will be closed from 24 May 2019 to 29 May 2019, both days inclusive, during which no transfer of shares will be registered. All transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration at no later than 4:30 p.m. on 23 May 2019.

PROSPECTS

CMMB Business

As a result of the reassignment of frequencies, the Company has started retrofitting our broadcasting equipment to conform with the new frequencies assigned and will continue to do so into 2019, although these capital expenditures are expected to be relatively insignificant.

Despite the potential downsides to the FCC spectrum reallocation, this event also brings new opportunities and synergies to TV operators through collaboration, such as co-sharing of revenue on joint marketing initiatives and reducing operational costs. Furthermore, the FCC approved the introduction of the Advanced Television Systems Committee (“ATSC”) standard 3.0 (“ATSC 3.0”) during the year, however, it is deferring its decision on targeted ads in accordance with its guidelines on privacy. The approval carries with it a general requirement on full-power stations who choose to deploy ATSC 3.0 to maintain an ATSC-compatible signal for at least 5 years, while low-power stations are exempt from this simulcasting requirement. Although we are exempt from the simulcasting requirement, we predict the transition to ATSC 3.0 at the hardware manufacturer level and especially at the consumer level to take at least 5 years or longer. During this time, advances in scalable video codec and audio compression technology are anticipated to allow for a possible increase in the number of channels given a fixed assignment of spectrum frequency, such that there is a potential to reverse channels lost in the current displacement reapplications.

In China and other Asian countries, the Company has completed our acquisition of 20% equity interest of Silkwave Holdings, with a call option for a further 31% equity interest in Silkwave Holdings. The completion will bring together the necessary space and terrestrial technology, licenses, content and other partnerships to form a complete ecosystem to serve infotainment services to consumers and commercial businesses. Given China is quickly becoming the world’s largest automobile market, it will be our primary initial market for deploying our services, with plans to expand to other countries thereafter.

Silkwave Holdings has also enlisted a top-tier investment bank to lead its fundraising campaign whose proceeds will be used to finance the construction of the next generation of satellites and related infrastructures, as well as fund operating cash flows. The new space infrastructure will replace the existing AsiaStar-based system and allow Silkwave Holdings to reach its full-service capability by expanding its service offerings once Silkwave Holdings enters full commercial service launch.

Trading Business

There are several factors which affect the business, including the stage of product life cycle for our clients’ electronic products and consumer demands for these products, status of political relationship between countries, and changes in each country’s regulations. With mobile devices reaching saturation in most western countries and the current state of trade tensions between the US and China, we anticipate our trading business will continue to face challenging times in the year ahead.

FUNDRAISING EXERCISE OF THE COMPANY DURING THE PAST TWELVE MONTHS

The Company has conducted the following fundraising activity in the past twelve months immediately preceding the date of this annual report:

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds as at the date of this report
3 April 2018	Placing of 375,000,000 new shares under general mandate granted by the Shareholders at the AGM at 30 June 2017	Approximately US$11,537,000	General working capital for operations and business development	• Administrative and operating expenses of US$644,000 • Partial repayment of convertible notes of US$10,893,000
11 September 2018	Placing of 459,140,625 new shares under general mandate granted by the Shareholders at the AGM at 28 May 2018	Approximately US$7,496,000	General working capital for operations and business development	• Administrative and operating expenses of US$800,000 • Partial repayment of convertible notes of US$6,696,000
11 January 2019	Placing of 66,081,535 new shares under general mandate granted by the Shareholders at the AGM at 28 May 2018	Approximately US$910,000	General working capital for operations and business development	• Partial repayment of convertible notes of US$910,000

Save as abovementioned, the Company had not conducted any other fundraising exercise in the past twelve months immediately preceding the date of this annual report.

Directors and Senior Management

BOARD OF DIRECTORS

During the year of 2018, the Board consisted of 7 directors comprising 2 executive directors, 2 non-executive directors and 3 independent non-executive directors. The information on the directors is set forth below.

EXECUTIVE DIRECTORS

Mr. WONG Chau Chi ("Mr. Wong"), aged 54, 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 reorganisation of Global Flex Holdings Limited, a manufacturing company, into CMMB Vision Holdings Limited, an investment holdings company for the development and operation of state-of-the-art technologies for convergent satellite-mobile multimedia broadcasting. Mr. Wong is also the founder and managing director of Chi Capital Holdings Ltd, a securities and private equity group and a director of Silkwave Holdings Limited. He also worked as the business head for the derivatives and securities departments of Goldman Sachs, Citibank, and BNP Paribas, and the business and financial management departments of General Electric and McKinsey. Mr. Wong graduated from the Pomona College with a Bachelor of Arts degree in economics and international relations, as well as a degree in master of 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 did not hold any position nor directorship in other listed companies in the three preceding years.

Dr. LIU Hui ("Dr. Liu"), aged 50, 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 over 70 granted or pending telecommunications patents, including more than twenty patents in the core OFDMA technology that underlies LTE, Mobile WIMAX and CMMB. He architected 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 telecom expert, he is also one of the original designers of TD-SCDMA (China's self-developed ITU 3G standard) and a pioneer of OFDMA mobile networks. Dr. Liu holds a Bachelor of Science degree in electrical engineering from the Fudan University and a PhD degree from the University of Texas in Austin. He was a full professor/vice-chair at the Department of Electrical Engineering of the University of Washington, and then the associate dean at the School of Electronic Information and Electrical Engineering of Shanghai Jiao Tong University. His research interests include broadband mobile networks, satellite communications, vehicular and IoT networks, and machine learning. He has received a number of awards, including a Fellow of IEEE (Communications Society), the 1997 National Science Foundation CAREER Award, the ONR Young Investigator Award, and the Chinese Gold Prize Patent award for his contributions on the TD-SCDMA technology. Dr. Liu is representing the Company as a key member in the Next Generation Broadcasting–Wireless Working Group in China, which is the comprehensive next generation technology platform for CMMB and China's triple network convergence (i.e. internet, broadcasting, telecom) initiative. He is a director of Silkwave Holdings Limited. Dr. Liu did not hold any position nor directorship in other listed companies in the three preceding years.

NON-EXECUTIVE DIRECTORS

Mr. CHOU Tsan-Hsiung ("Mr. Chou"), aged 76, was appointed as an independent non-executive director in June 2005 and was subsequently re-appointed as a non-executive director in September 2005. Mr. Chou graduated with a Bachelor of Law degree from the National Chengchi University and is a member of the Taipei Bar Association. Mr. Chou is currently a practicing lawyer with the Best Truth Law Firm in Taiwan. Mr. Chou previously worked in the Legal Affairs Office of the Central Trust of China. Mr. Chou did not hold any position nor directorship in other listed companies in the three preceding years.

Mr. YANG Yi ("Mr. Yang"), aged 55, was appointed as a non-executive director in February 2007. Mr. Yang first graduated from the Beijing University with a Bachelor of Arts degree 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 of Arts degree in Law & Diplomacy by the Fletcher School of Law and Diplomacy, which was jointly administrated by the Tufts University and Harvard University. Mr. Yang has over 28 years of experience in finance and human resources management. The major appointments and positions previously assumed by Mr. Yang include being a financial analyst at the fixed income division of J.P. Morgan Securities (Tokyo), a vice-president of human capital management at Goldman Sachs LLP (New York), a principal of executive search in the financial industry at 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, a Hong Kong based human resources advisory firm. Mr. Yang did not hold any position nor directorship in other listed companies in the three preceding years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. WANG Wei-Lin ("Dr. Wang"), aged 47, was appointed as an independent non-executive director in September 2005. Dr. Wang has obtained a degree in Juris Scientiae Doctoris (Doctor of Juridical Science) from the Washington University in St. Louis. Dr. Wang also graduated with a Master of Laws degree from the University of Pennsylvania and a bachelor's degree in law from the National Cheng-Chi University. Dr. Wang is a certified attorney in Taiwan and the New York State of the United States of America. Dr. Wang is also a member of the Taipei Bar Association and American Bar Association. Dr. Wang is currently a full professor and chair at the Department of Financial Law in Ming Chuan University. Dr. Wang currently serves as an independent director of Young Fast Optoelectronics Co., Ltd., WIN Semiconductors Corp., ANT Precision Industry Co., Ltd. and Fuzetec Technology Co., Ltd., four companies listed on the Taiwan Stock Exchange Corporation. Dr. Wang had held a position of independent non-executive director at Capital Securities Corp. and a remuneration committee member at Hold Key Electric Wire & Cable, Co. Ltd., two companies listed on the Taiwan Stock Exchange Corporation, in the three preceding years. Save as aforesaid, Dr. Wang did not hold any position nor directorship in other listed companies in the three preceding years.

Directors and Senior Management

Dr. LI Shan ("Dr. Li Shan"), aged 55, was appointed as a non-executive director in October 2009 and re-appointed as an independent non-executive director in March 2010. Dr. Li Shan graduated from the School of Economics and Management at the Tsinghua University with a Bachelor of Science degree in Management Information Systems in 1986, from the University of California Davis with a Master of Arts degree in Economics in 1988, and from the Massachusetts Institute of Technology with a PhD degree in Economics in 1993. After graduation, Dr. Li Shan worked as an international economist for Goldman Sachs & Co. In 1995, he became an executive director of the investment research department at Goldman Sachs (Asia), and in 1997, he became an executive director of investment banking at Goldman Sachs International in London. From 1999 to 2001, Dr. Li Shan was the managing director and the head of China investment banking at Lehman Brothers. During 2001 to 2005, Dr. Li Shan was the chief executive officer for the Bank of China International Holdings ("BOCI") in Hong Kong. Dr. Li Shan has over 26 years of experience in investment banking and related financial management. At present, Dr. Li Shan is a founding partner for San Shan (HK) Limited, an investment advisory company based in Hong Kong, the CEO of Silk Road Finance Corporation Limited, the vice-chairman of the Institute for Governance Studies at Tsinghua University. Dr. Li Shan was also a director for the NYSE-listed Fang.com. Save as aforesaid, Dr. Li Shan did not hold any position nor directorship in other listed companies in the three preceding years.

Dr. LI Jun ("Dr. Li Jun"), aged 57, was appointed as a non-executive director in June 2007 and re-designated to an independent non-executive director in May 2011. Dr. Li Jun obtained a doctorate degree for philosophy in political economy from the Oxford University in the United Kingdom. He was a senior manager and a director for a number of securities and investment companies in Hong Kong and had extensive experience in international financial markets. Dr. Li Jun is an independent non-executive director in Hengxin Technology Limited, a company listed on the Main Board of the Stock Exchange of Hong Kong Limited. Dr. Li Jun did not hold any position nor directorship in other listed companies in the three preceding years.

SENIOR MANAGEMENT

Ms. LI Qun ("Ms. Li") is a managing director of our China business operation. Ms. Li has over 20 years of experience in CMMB/DTH chipset design and CMMB network system integration. She was the co-founder of Telepath Technologies Co., Ltd. and the chief operating officer for TiMi Technologies Co., Ltd., a company formed by the Chinese Academy of Broadcasting Science at National Radio and Television Administration ("NRTA"). She holds a bachelor's degree in Science from the Shanghai Jiao Tong University and a master degree in Science from the Tsinghua University.

Ms. CHAN Pui Yee Janice ("Ms. Chan") is the company secretary, finance director, authorised representative and agent of the Company. Ms. Chan is primarily responsible for company secretarial and financial reporting' matters. Ms. Chan is a qualified accountant and fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Ms. Chan joined the Group in October 2014. Ms. Chan has more than 20 years of experience in accounting, auditing and financial management. Ms. Chan holds a bachelor's degree of Business Administration with major in professional accountancy from The Chinese University of Hong Kong.

The directors recognise the importance of incorporating good corporate governance in the management structures and internal control procedures of the Group to promote effective accountability and deliver maximum benefits to the shareholders.

CODE OF CORPORATE GOVERNANCE

The Company has adopted the code provisions set out in the Corporate Governance Code ("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 2018 except:

(i) 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") was re-designated as the chairman while also serving 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 new possible business opportunities and deducing the overall strategic plan for the future development of the Company, the Board considers that it would be beneficial for 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.

(ii) Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should also attend general meetings and develop a balanced understanding of the view of shareholders. Two of each of our non-executive directors and independent non-executive directors, who were not in Hong Kong when the annual general meeting was held on 28 May 2018, were unable to attend the meeting.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a revised code of conduct regarding securities transactions by directors on terms no less exacting than the required standards under the revised Model Code for Securities Transactions by Directors of Listed Issues ("Model Code") as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code throughout the year ended 31 December 2018 and all the directors confirmed that they have fully complied with the required standard set out in the Model Code and the code of conduct throughout the year ended 31 December 2018.

BOARD OF DIRECTORS

Board Composition

The Board should have a balance of skills and experience appropriate for the business of the issuer to ensure that changes to its composition can be managed without undue disruption. The Company is committed to the view that the Board should maintain a balanced composition of executive and non-executive directors (including independent non-executive directors) so that the Board has a strong independence element which steers its judgments to be made independently and objectively. During the year and up to the date of this report, the Board comprises of 7 directors, including:

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

As at 31 December 2018, the Board was comprised of two executive directors (who were 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 more than one-third 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. The non-executive directors bring a wide range of expertise and a balance of skills to allow independent assessments be made on issues of strategic direction, development, performance and risk management through their contribution at Board and committee meetings.

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 as 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 regarding the guidelines for the assessment of independence of directors respectively. The Company believes that all independent non-executive directors have been complied with the relevant guidelines as stipulated in such rule and are still considered as 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 requiring a sufficient number of independent non-executive directors to be appointed and that at least one of the independent non-executive directors has the appropriate professional qualifications or accounting or related financial management expertise.

Appointment, Re-election and Removal

The Company has implemented a set of formal, prudent and transparent procedures for the appointment of new directors to the Board. The Company has also put in-place plans for the orderly succession of the Board. All directors are subject to retirement by rotation and are eligible for re-election at the annual general meeting in accordance with the Articles of Association provided that every director shall be retired at least once every three years. The Board must explain the reasons for the resignation, re-election or removal of any director.

There is no relationship (including financial, business, family or other material or relevant relationships) among the members of the Board.

Responsibilities of Directors

Every director is aware that he should devote sufficient time and attention to the affairs of the Company.

The Directors are kept informed from time to time on the latest development of any changes to the regulatory requirements and the progress of compliance with applicable rules and regulations by the Company. The Directors of the Company are also updated from time-to-time on the latest business developments and operational plans of the Company.

In compliance with code provision A.6.5 of Corporate Governance Code, the Company will arrange for, and provide funds for, all the directors to participate in continuous professional development organised in the form of in-house training, seminars or other appropriate courses to keep them abreast of their knowledge, skills and understanding of the Group and its business and the latest development or changes in the relevant statutes, including the Listing Rules, the Corporate Governance Code and corporate governance practices. A newly appointed director would receive an induction training covering the statutory and regulatory obligations of a director of a listed company. Circulars or guidance notes are issued to directors and senior management by the Company, where appropriate, to ensure awareness of the Corporate Governance Code and corporate governance practices.

Regarding the Listing Rules' requirement for directors to obtain a general understanding of an issuer's business and to follow up on matters brought to their attention, it is considered that the current arrangements for keeping the Board informed of the Company's business performance through regular presentations and/or reports by management at Board meetings, providing directors with complete, sufficient and adequate information, and providing the Board with timely reports on urgent key events at ad hoc Board meetings are effective and satisfy the requirements. To improve on existing practices, a management report covering key business issues and the financial performance of the Company has been made available to the directors on a regular basis throughout the year. A director can contact management of the Company individually and independently.

Directors' Training and Continuous Professional Development

The directors acknowledge the need to continue to develop and refresh their knowledge and skills to contribute to the Company throughout the year. During the year, they have attended various external seminars and briefings relating to the roles, functions and duties of a listed company director and the latest developments in regulatory requirements.

The Company plans to establish a set of continuous professional development guidelines with details on directors training for the coming years, including a timeline explaining the suggested timetable and the relevant suggested materials for directors on an annual basis. The Company will confirm with all the directors on their participation in the relevant training for updating their technical expertise so that they can contribute and provide valuable inputs to the Company's development.

Chairman and Chief Executive Officer

During the year, Mr. Wong served as the chairman and the chief executive officer of the Company. The chairman is responsible for the overall business development and operation strategy of the Group. The primary responsibilities of the chief executive officer of the Company are to provide leadership for the management of the Company, take a lead to implement the Company's business strategies and oversee the performance of management in achieving corporate goals.

Terms of Appointment of Non-executive Directors and Independent 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 automatically renewable for another successive term of one year 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 pursuant to the Company's Articles of Association ("Articles"), unless terminated by a 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.

Board Meetings and Procedures

The Board meets regularly throughout the year, including up to the date of this annual report, to review the overall business, financial and technical strategies and to monitor the financial performance of the Group under senior management who is delegated with supervising the day-to-day management and operation of the Group and the execution of plans for 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 the directors. Notices of at least 14 days should be provided to all directors for all regular Board meetings and the directors can include matters for discussion in the agenda if necessary. The agenda and accompanying Board papers in respect of these regular Board meetings are sent out to all directors with a reasonable lead 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 the Board papers and related materials. They provided adequate information in a timely manner, which enable the Board to make an informed decision on matters placed before it.

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

Name of director	Number of Board meetings attended/held
Mr. WONG Chau Chi *(Chairman)*	8/8
Dr. LIU Hui *(Vice-Chairman)*	8/8
Mr. CHOU Tsan-Hsiung	8/8
Mr. YANG Yi	0/8
Dr. WANG Wei-Lin	8/8
Dr. LI Shan	8/8
Dr. LI Jun	8/8

BOARD DIVERSITY POLICY

The Company recognises that board diversity is an important element in creating a fair and effective Board and that having a Board with a balance of skills, backgrounds, expertise and diversity of perspectives can be beneficial to the Company's business.

Policy Statement

The Company believes that board diversity enhances decision-making capability and a diverse board is more effective in dealing with organisational changes and less likely to suffer from groupthink. With a view of achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development.

In designing the Board's composition, Board diversity has been considered from a wide range of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, business perspectives, skills, knowledge and length of service, and any other factors that the Board may consider relevant and applicable from time to time. A high emphasis is placed on ensuring a balanced composition of skills and experience at the Board level in order to provide a range of perspectives, insights and challenges that enable the Board to discharge its duties and responsibilities effectively, make good decisions to promote the core business and strategy of the Group, and support succession planning and development of the Board.

Measurable Objectives

The selection of candidates will be based on the Company's Nomination Policy and will take into account the Board Diversity Policy. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board, having due regard to the benefits of diversity on the Board and the needs of the Board without focusing on a single diversity aspect.

The Board would ensure that appropriate balance of gender diversity is achieved with reference to stakeholders' expectation and international and local recommended best practices. The Board also aspires to having an appropriate proportion of directors who have direct experience in the Group's core markets, preferably with different ethnic backgrounds, to support the Group's strategy.

BOARD COMMITTEES

The Board has established and delegated authorities and responsibilities to two specific committees with written terms of reference to assist it in performing its functions effectively, namely the Audit Committee and Remuneration Committee. The terms of reference for Board committees have been published on the Group's website and the Stock Exchange's website for shareholders to review.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference adopted by reference to the code provisions of the CG Code and its members include:

Dr. 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. Given each Audit Committee member has broad commercial experience, the Board considers that there is a suitable mix of expertise in business, accounting and financial management in the Audit Committee. The composition of members in the Audit Committee comply with the requirements under the Rule 3.21 of the Listing Rules as at 31 December 2018. 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 compliance procedures 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 shareholders, as well as 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 on matters within the scope of its terms of reference and reviews the independence and objectivity of the auditor.

The Audit Committee has reviewed the audited annual results and the consolidated financial statements of the Group for the year ended 31 December 2018 together with the auditors and have discussed with management the accounting policies adopted by the Group and its internal controls and financial reporting matters.

During the year ended 31 December 2018, 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/held**
Dr. LI Shan	2/2
Mr. CHOU Tsan-Hsiung	2/2
Dr. LI Jun	2/2

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

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee with written terms of reference and its members include:

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

A 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 annually to determine the policy for the remuneration of the directors and assesses the performance of the executive directors and certain senior management of the Group. During the year ended 31 December 2018, one Remuneration Committee meeting was held, and the individual attendance of each member is set out below:

Name of director	**Number of committee meeting attended/held**
Dr. WANG Wei-Lin	1/1
Mr. CHOU Tsan-Hsiung	1/1
Dr. LI Shan	1/1
Dr. LI Jun	1/1

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. Since the Company has not established a nomination committee, the Board is responsible for formulating the nomination policies and preparing board succession planning considerations.

During the year ended 31 December 2018, no Board meeting was held in relation to the nomination of director. The Company currently does not have any plans to set up a nomination committee.

Nomination Policy

The Board has adopted the following policy for the nomination of directors (the "Nomination Policy").

Selection Criteria

In determining the suitability of a candidate, the Board shall consider the potential contributions a candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity. The Board shall consider the following selection criteria, which are not meant to be exhaustive:

- the candidate's personal ethics, reputation, character and integrity;
- the candidate's qualifications, skills, knowledge, business judgment and experience that are relevant to the operations of the Group;
- the diversity perspectives set out in the Board Diversity Policy of the Company (as amended from time to time);
- the candidate's availability including time commitment to discharge his or her responsibility as a director, including being able to devote sufficient time to attend Board meetings, participate in induction, trainings and other Board and Company activities; in the case of a candidate nominated as an independent non-executive director and will hold seven or more listed company directorships, the Board shall consider the reasons given by the candidate for being able to devote sufficient time to discharge his or her responsibility as an independent non-executive director;
- the candidate for the position of an independent non-executive director must comply with the independence criteria as prescribed under the Listing Rules (as amended from time to time);
- the current size and composition of the Board, the needs of the Board and the respective committees of the Company;
- the succession planning of members of the Board to ensure leadership continuity and smooth functioning of the Group; and
- any other factors that the Board may consider appropriate.

The Board shall ensure that the composition of the Board is in conformity with the laws of the Cayman Islands, the Listing Rules and all other applicable laws and regulations.

Nomination Procedures

The recruitment, identification, evaluation, recommendation, nomination, selection and new appointment or re-appointment of each proposed director shall be assessed and considered by the Board against the Selection Criteria as set out in this Policy.

In the context of appointing of a any proposed candidate to the Board:

- the Board may take such measures that it considers appropriate in connection with its identification and evaluation of candidates, including, amongst others, consider referrals from directors, shareholders, management and advisors of the Company;

- the Board shall identify and ascertain the character, qualification, knowledge and experience of the candidate and undertake adequate due diligence in respect of such candidate; and

- senior management shall make recommendations on the candidate's personal profile to the Board for its consideration.

In the context of re-appointment of any existing member of the Board, the remaining Board members shall make recommendations to the Board for its consideration and recommendation for the candidate to stand for re-election at a general meeting.

For each proposed new appointment or re-appointment of a director, the Board shall obtain all applicable declarations and undertaking as required under the laws of the Cayman Islands and the Listing Rules.

In the case of a nomination for the position of an independent nonexecutive director, the Board shall ensure that the concerned candidate meets the independence criteria as prescribed under the Listing Rules.

The Board shall have the final decision on all matters relating to the recommendation of candidates to stand for election (and re-election) at a general meeting.

The ultimate responsibility for the selection and appointment of directors rests with the entire Board.

Review and Monitoring

The Board will from time to time review the Nomination Policy and monitor its implementation to ensure compliance with the regulatory requirements at the relevant time and good corporate governance practice.

Management shall, when necessary, recommend revisions to the Nomination Policy to the Board for its consideration and approval.

EXTERNAL AUDITOR

The Board agrees with the Audit Committee's approval of appointment of HLM CPA Limited ("HLM") as the Company's external auditor for 2018. Its reporting responsibilities on the financial statements are set out in the independent auditor's report of this annual report on pages 45 to 49. Details of the amount of auditors' remuneration in 2018 are set out in note 11 to the consolidated financial statements. The Company has paid fees amounting to US$147,000 to the auditor for audit service and review service as a reporting accountant during the year.

HLM will retire and offer themselves for re-appointment at AGM of the Company to be held on 29 May 2019. The re-appointment of HLM as the external auditor of the Group has been recommended by the Audit Committee and endorsed by the Board, subject to the shareholders' approval in the forthcoming AGM.

FINANCIAL REPORTING

The directors are responsible for keeping proper accounting records and preparing the financial statements which give a true and fair view of the state of affairs of the Company and its subsidiaries in accordance with Hong Kong Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. In preparing the financial statements for the year ended 31 December 2018, the directors have made judgments and estimates that are prudent and reasonable and prepared the financial statements on a going concern basis.

Management has provided such explanation and information to the Board to enable the Board to make an informed assessment of the financial and other information before the Board's approval.

The statement by the auditor of the Company about their responsibilities for the financial statements is set out in the independent auditor's report contained in this annual report.

The Board's responsibility to present a balanced, clear and understandable assessment extends to annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as information required to be disclosed pursuant to statutory requirements.

The Group recognises that high quality corporate reporting is important in reinforcing the trust of the shareholders of the Company and aims at presenting a balanced, clear and comprehensive assessment of the Company's performance, position and prospects in all corporate communications. The annual and interim results of the Group are announced in a timely manner within four and three months respectively after the end of the relevant periods in compliance with the requirements of the Listing Rules.

INTERNAL CONTROL

The Board is responsible for the Group's systems of internal controls and risk management and for reviewing its effectiveness. The Board, the Group's internal audit division and management reviewed the effectiveness of the internal control system of the Company and its subsidiaries. The Audit Committee reviews the findings and opinions of the Group's internal audit division and management on the effectiveness of the Company's system of internal controls, and reports to the Board on such reviews. In 2018, the Board, through its Audit Committee, conducted a review of the Group's risk management and internal controls system, including financial, operational and compliance control, and risk management functions. To formalise the annual review of the Company's risk management and internal control system, the Audit Committee made reference to the requirements of the relevant regulatory bodies. In respect of the year ended 31 December 2018, the Board considered the internal controls system is effective and adequate. No significant areas of concern which might affect the shareholders were identified. The effectiveness of the Audit Committee itself is reviewed annually through a formal process which involves the company secretary preparing an evaluation report on its effectiveness. This is examined by both the internal and external auditors before submission to the Board for endorsement.

The internal audit division of the Group should ensure that the Company maintains sound and effective internal controls to safeguard the shareholders' investments and the Company's assets. The main functions of the internal audit division are to audit the operating efficiencies of each of the operating units, to carry out audits upon resignation of any key management personnel, to assist the Board in reviewing the effectiveness of the internal controls system of the Group and to review internal controls on business processes and project-based auditing. Evaluation of the Group's internal controls covering financial, operational compliance controls and risk management functions will be done at least once a year. As confirmed by the management, the Board is satisfied that the Group has sufficient internal controls.

The Company had continued to follow the Terms of Reference of the Audit Committee which had been adopted since 2016 and relied on it as a check and balance for its internal controls and risk management systems.

ENTERPRISE RISK MANAGEMENT

The Board is responsible for overseeing the Group's overall risk management framework and the Board is also responsible for approving the Group's risk policies and assessing the effectiveness of the Group's risk controls/ mitigation tools. Systems and procedures have been established to identify, measure, manage and control various risks including business, compliance, operation, finance and information that may have an impact on the Group and each major department.

The Company has embarked on the journey of building an enterprise risk management (the "ERM") system with the view of enhancing the risk management and corporate governance practices and improving the effectiveness and efficiency of internal controls system across the whole Group.

The Board believes that a heightened focus on risk and compliance is beneficial for the ongoing development and growth of the Company as well as its staff. In establishing the ERM system, all key functions of the Company were carried out by internal audit division to undertake the following exercises:

1. Enterprise risk assessment – to identify and prioritise the Company's key business risks; and

2. Process level control assessment – to assess the related internal controls and risk mitigating measures.

CORPORATE SOCIAL RESPONSIBILITIES

The Group concurs that an enterprise's existence should not purely be for the maximisation of its own benefits. As part of the society, it is essential for an enterprise to facilitate wealth accumulation of the whole society, advance social civilisation and promote the sustainable development of the environment. Management of the Group pays attention to corporate social responsibilities by monitoring the development, implementation and results of initiatives carried out by the different departments of the Group, in which the environmental, social and governance standards have been integrated into their operations and activities. Details are set out in the section headed environment, society and governance on pages 31 to 38 of this report.

CONTINUOUS DISCLOSURE OBLIGATIONS REGARDING PRICE SENSITIVE AND/OR INSIDE INFORMATION

The Company has developed a system with established policies, processes and procedures across all relevant segments and departments for complying with the disclosure obligations regarding price sensitive and/or inside information. The system continues to be effective. The Company will continue to further enhance its effect on the business operation, development of the Company and new regulations and laws with great effort.

COMPANY SECRETARY

Ms. CHAN Pui Yee Janice, our company secretary, is an employee of the Company and also appointed by the Board. The company secretary is responsible for facilitating the Board's processes and communications among Board members, shareholders and management. During the year ended 31 December 2018, Ms. Chan had undertaken not less than 15 hours of relevant professional training to update her skills and knowledge.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors acknowledge their responsibilities for the preparation of the consolidated financial statements for each financial year which gives a true and fair view of the state of affairs of the Group and of its results and cash flows of the Group in accordance with the Hong Kong Financial Reporting Standards, disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules. In preparing the consolidated financial statements for the year ended 31 December 2018, the directors have selected suitable accounting policies and applied them consistently; 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 can at any time disclose with reasonable accuracy the financial position of the Group to 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 2018.

INVESTOR RELATIONSHIP AND COMMUNICATIONS WITH SHAREHOLDERS

The Group is committed in creating transparent lines of communication between senior management and investors, maintaining a close relationship with all its shareholders through a variety of channels, and promoting understandings between stakeholders and us. The Company has adopted a shareholders' communication policy to formalise and facilitate effective and clear interactions among the Company, shareholders and other stakeholders, subject to the relevant regulatory requirements. Shareholders are encouraged to participate in the shareholders meeting and annual general meeting ("AGM") or to appoint proxies to attend and vote at such meetings for and on their behalf if they are unable to attend. The main communication channels with the shareholders include investors' meetings, annual general meeting, annual reports, interim reports, announcements and circulars and constitutional documents filed with the HKEX news of The Stock Exchange of Hong Kong ("HKEX") (www.hkexnews.hk) and the Group's websites (www.irasia.com/listco/hk/cmmbvision and www.cmmbvision.com).

The Group has a dedicated team to maintain contact with investors and handle shareholders' inquiries. Should investors have any inquiries, please contact the Group's investor relations department (telephone: +852 2159 3300; e-mail: co.sec@cmmbvision.com).

Investors' Meetings

Group meetings are held by the Group with institutional investors and analysts with respect to its annual results and interim results. In addition, the Group's senior executives and staff from investor relations department hold regular meetings with institutional investors and analysts. Investors are provided with the latest information on the development of the Group, in compliance with the applicable laws and regulations.

Annual General Meeting

The AGM is an important platform for shareholders to participate in discussions, thereby facilitating communications between management of the Group and the shareholders. The AGM is held once a year, being publicly accessible to all shareholders. The Group's senior management answers any questions that shareholders may have at the meeting and the external auditor attends the AGM as well.

The attendance of each director at the AGM held in 2018 was as follows:

Name of director	Number of 2018 AGM attended/held
Mr. WONG Chau Chi *(Chairman)*	1/1
Dr. LIU Hui *(Vice-Chairman)*	0/1
Mr. CHOU Tsan-Hsiung	0/1
Mr. YANG Yi	0/1
Dr. WANG Wei-Lin	0/1
Dr. LI Shan	0/1
Dr. LI Jun	1/1

There is no provision allowing shareholders to move new resolutions at general meetings under the Cayman Islands Companies Law or the Articles of Association. Shareholders who wish to move a resolution may request the Company to convene an EGM following the procedures set out in the preceding paragraph.

All matters proposed to shareholders for approval shall be submitted in separate resolutions and resolved by way of poll at the general meeting. The procedures of conducting a poll are explained in detail to shareholders by the Group prior to voting to ensure shareholders are familiar with such arrangement. Minutes of the meetings together with the voting results will be published on the websites of the Group.

Annual Reports, Interim Reports, Announcements and Circulars

The Group issues its annual reports and interim reports after publishing the annual results and the interim results in March and August every year respectively to periodically review the development of the Group as well as to update its shareholders with its latest business information and market trends. In addition, the Group explains to the shareholders through announcements regarding any major event or price-sensitive information. For any matter requiring the approval of the shareholders, the Group holds an EGM in accordance with the requirements of the Hong Kong Stock Exchange and issues a circular prior to the specific date of the meeting, allowing shareholders to have sufficient time to learn more about the matters for making voting decisions. All annual reports, interim reports, announcements and circulars are uploaded to the websites of HKEX (www.hkexnews.hk) and the Group (www.irasia.com/listco/hk/cmmbvision and www.cmmbvision.com).

CHANGES OF ARTICLES OF THE ASSOCIATION

During the year ended 31 December 2018, there were no changes in the Company's Articles of Association. The latest version of the Company's Articles of Association is available on the websites of the HKEX and the Group. Shareholders can also obtain the details of their rights with reference to the Company's Articles of Association.

SHAREHOLDERS' RIGHTS

Procedures to convene a general meeting and put forward proposals at general meetings

Shareholder(s) representing not less than one tenth of the paid-up capital of the Company having the right to vote at general meetings may request the directors to call a general meeting of the Company pursuant to the Articles of Association. The request must state the general nature of the business to be dealt with and may include the text of a resolution that may properly be moved and is intended to be moved at the general meeting. The request may be sent to the Company at the registered office of the Company in hard copy form or in electronic form to the attention of the directors or the company secretary and must be authenticated by the person(s) making it.

Shareholders can refer to the detailed requirements and procedures as set forth in the relevant sections of the Articles of Association when making any requisitions or proposals for transaction at the general meetings of the Company.

Procedures by which enquiries may be put to the Board

Shareholders may send enquiries to the Board in writing c/o the Corporate Secretariat with the following contact details:

Attention	Company Secretary and Investor Relations Director
Address:	Unit 1211, Level 12, Core F, Cyberport 3, 100 Cyberport Road, Hong Kong
Telephone:	(852) 2159 3300
Facsimile:	(852) 2159 3399
Email:	co.sec@cmmbvision.com

For and on behalf of the Board

WONG Chau Chi
Chairman and Executive Director

Hong Kong, 28 March 2019

As a sustainable enterprise, the environmental, social and governance ("ESG") issues are an integral part of the Group's overall business strategy and goals. We seek to operate in an economically and socially ethical environment while balancing the interests of our internal and external stakeholders, and supporting the communities we work in. ESG subjects are used to enhance the corporation strategic approach formulation and maintain a constructive long-term relationship with our key stakeholders. These matters would cover both internal employees and external customers, suppliers and the community where we serve.

It is our policy to comply with all laws, rules, regulations and sanctions which are applicable to our Company and our business, whether through directly related companies or third parties. We also expect our employees, agents, consultants, contractors, intermediaries, representatives, suppliers and business partners to demonstrate ethical principles and observe the highest standards of integrity and honesty in all professional and personal dealings. In addition to complying with relevant laws and regulations, the Company endeavours to integrate environmental protection measures and community engagement into our business operation.

A. ENVIRONMENTAL

The Company is a leading satellite to mobile operator headquartered in Hong Kong with our own satellite control facilities. The Company is conscious of the need to minimise the environmental, health and safety impacts of our daily operations and to comply with the relevant environmental laws. The Group has adopted a "reduce, reuse, repair and recycle" policy to help support our environment aims, namely, to preserve and maintain a clean and sustainable environment for future generations. The Group uses resources in a responsible, efficient and effective manner in order to contribute to a sustainable society and comply with international standards and regulations.

Eco-friendly measures, such as reducing emissions, greenhouse gases, energy and water consumption, more recycling, and careful disposal of wastes have been incorporated into our operations to alleviate the business's impact on the environment. Enhancing energy efficiency continues to be our biggest challenge as travelling, paper and package usage, air-conditioning and lighting, consume a lot of energy, including a heavy reliance on the general use of electricity for production and broadcasting.

We are committed to protecting the environment and we integrate sustainability into our business operations through internal policies and guidelines. As a global citizen, our environmentally friendly vision was established to safeguard our natural environment and its ecosystems over time by adopting appropriate policies and practices in our operations and procedures.

A1. Emissions

As travelling is a necessary part of our business operations, the overall emissions and greenhouse gases produced by senior management's air travels is calculated based on the distance logged during the year. As activities such as client servicing, sales and marketing, staffing, training, management support and general business needs all require travel, it is the Company's policy to keep these to the minimum required in order to maintain the lowest possible output of emissions and greenhouse gases. Initiatives and procedures such as carpooling and carsharing are used and encouraged amongst the employees when travelling. During the year ended 31 December 2018, the total CO_2 emission generated from air travel by management was 78.2 tonnes (2017: 71.5 tonnes), which is a slight increase of 9% due to addition the of new staff; and the total CO_2 emissions generated from the usage of the transportation fuel by the Company was 20,887 kg (2017: 31,823kg), which is a decrease of 34% due to a reduction in private car usage. Going forward, the Company plans to keep the overall air transportation as well as auto usage low in order to keep the total output of emissions to a minimum. Our overall goal is to continue to reduce overall CO_2 emissions on an annual basis consistently.

Hazardous waste

Although our Company produces limited hazardous waste, we dispose of items such as florescent tubes, batteries, waste electrical and electronic equipment and general office equipment responsibly. As necessary, we hire specialist contractors and waste collectors to handle the recycling and manage the removal of such wastes.

Non-hazardous waste

Our non-hazardous waste consists of general office waste produced at the Company. To ensure our waste disposal methods are in-line with local regulations, we utilise professional cleaning service providers and contractors to handle this waste. When possible, our general office waste is recycled, reused and repurposed to paper, plastic, glass, metal and waste products. In 2018, a new aluminium cans and plastic bottles recycling initiative was introduced to save CO_2 emissions of 0.026 kg per plastic bottle and 0.25 kg per metal can. This recycling scheme saved a total 5.5 kg of CO_2 for the year. Our aim is to recycle as much as possible and reduce CO_2 emissions in both hazardous and non-hazardous wastes annually.

A2. Use of Resources

We measure our environmental impact in terms of resource consumption against these major categories: (1) electricity, (2) paper usage, (3) packaging and waste, and (4) water usages. The resources used by the Group consist primarily of the electricity, paper, waste packaging and water consumed at the office.

In terms of the overall electricity usage, the Company takes energy saving measures with LED lighting and light zoning. During the year ended 31 December 2018, the total CO_2 emission generated from electricity consumption by the Company was 40,244 kg (2017: 47,339 kg), which generated a savings of 15%, due to shutting off of displays and electronic equipment when not in use.

The Group continues to practice paper saving techniques, such as double-sided printing, 2 pages per side printing, black and white outputs, and print-job tracking to encourage minimizing printing.

The Group has also implemented the collection of waste paper for effective recycling. The CO_2 emissions generated from paper consumption by the Company was 516 kg (2017: 621 kg), which is a reduction of 17%, due to switching to a more efficient and environmentally friendly service provider. Combined with our overall paper saving incentives, we have been able to save a total of 415 kg (2017: 245 kg), a 69% savings of CO_2.

The Group orders reusable 5-gallon containers for our water consumption to minimize waste from individual plastic, metal and glass containers.

Electricity

1)	Efficient lighting	LED and energy efficient lighting installed over the office area
2)	Electricity zoning	Air conditioning and light zoning arrangements in office to reduce unnecessary energy waste
3)	Light and electricity usage	Turn off all equipment and lighting in the office when not in use and utilise low-power state and energy saving options when equipment is idle

Paper

1)	Duplex printing	Office printing defaults set to duplex to reduce paper wastage
2)	Black and white printing	Default black and white printed output to reduce dependency on colour toner cartridges
3)	Multiple-page printing	Print from 2 to 4 pages per side to reduce paper and ink usage
4)	Print tracking	Printing is tracked by user to encourage minimising excessive usage

5)	Printing quotas	Monthly printing quotas are reviewed in order to keep printing within or below these thresholds
6)	Recycled papers	Recycled papers are collected to be reused for printing
7)	Recycled envelopes	Recycled envelopes are reused for non-private and non-confidential information mailings
8)	Electronic communications	Communications through electronic channels instead of hard copies or printed correspondences
9)	Facsimiles	All facsimile communications are completed electronic, without the need for any paper consumption and are delivered directly to users' mailboxes

Packing and waste

1)	Packing materials	Reuse packing materials for electronic equipment to reduce the need to purchase new packaging
2)	Reuse and recycle products	Reuse and recycle plastic, glass and paper products and bags for office procurement to prevent extra waste
3)	Recycle bottles and cans	Recycle and reuse plastic bottles and aluminium cans in office to reduce waste
4)	Plastic take-away boxes	Reuse plastic take-away boxes for food storage in the office
5)	Garbage collection	Garbage is collected in bulk in order to eliminate additional plastic bag wastes

Water

1)	Reduce water related wastage	Minimise water usage and purchase bulk sized drinking water instead of individual bottles to prevent excess wastage

A3. The Environment and Natural Resources

Due to the nature of the business, apart from the above-mentioned emissions and resources usage, the Group does not have any significant direct or indirect impact on the environment or on natural resources in the course of its operations. In the future, we aim to continue to stride for environmentally friendly measures and reduce wastes which storing internal and non-private/non-confidential documents in e-format or on the cloud instead of printing these and storing them, improving on the recycle and reuse policies for paper, plastic, glass, metal, water, and waste products, and using LED and energy efficient lighting installation and electricity usages.

B. SOCIAL

B1. Employment

The Group's success depends heavily on its ability of attract, retain and motivate talent in the competitive labour markets. Their development is a critical part of the Group's human capital. Attracting and strengthening the engagement of talent contribute to the sustainability of the Group. The Company's greatest asset is our employees who are essential to the continued success of the business. We strive to attract and retain talent by providing training and encouraging them to develop their full potential. Their personal development, mental health and work-life balance is carefully considered.

The Group's workforce totals approximately 30 staff globally, of which males were 67% and females were 33% (2017: 30 staff of 71% men and 29% female). Full-time staff were 70% and consultants or part time staff were 30% (2017: 44% full time and 56% consultants/part time staff). The number of Hong Kong based staff was 42% and elsewhere was 58% (2017: 41% in Hong Kong and 59% elsewhere). The number of staff who were 50 years of age and over were 64% and staff who were under 50 years old were 36% (2017: 59% who were 50 years of age and over and 41% under 50 years of age). The attrition rate is 9% (2017: 17%, mostly due to closure and relocating an office location).

B2. Health and Safety

To safeguard employees' occupational health and safety, the Group provides a safe, healthy and comfortable working environment and has complied with relevant rules and regulations. The Group offers its employees a comprehensive healthcare insurance coverage. This includes the appropriate vaccinations and precautions when travelling globally for business and meetings. We provide a healthy, relaxing and enjoyable workplace for our people to motivate their work engagements and commitments. The Company takes occupational safety as a major management responsibility and works hard to provide a safe and healthy work environment. During the year 2018, the Group did not experience any accident or work injury.

We have designated several recreational and nearby areas for simple exercises during the work hours. Moreover, a fully equipped pantry and kitchen area with different kinds of healthy foods and drinks are provided to our employees to revitalise them from their work tasks. We believe short relaxation breaks can boost the performance of daily work routines. Employees have a spacious work station in a modern office setting looking out to a sea horizon with mountains, which provides a serene workplace environment to help reduce work fatigue and stimulate higher work performance from our employees.

Work-life balance is an important goal for the Group and the Company caters to this accordingly. Keeping in touch with external news and updates allow employees to keep abreast of happenings in the community and globally. Specifically, as a broadcasting Company, multiple live-television and audio broadcasts are provided to our employees through the XingYun app, which connects employees with the outside environment. This connection stimulates creativity including new and dynamic ideas on sustainable development.

Apart from the office, an agreeable collegiate environment has been established based on the interaction and socialisation amongst the staff. Routine gatherings and activities are held for enhancing communications between departments to form a productive and harmonious ecosystem. For example, teambuilding luncheons and dinners plus work-related gathering events, such as club events, are sponsored regularly throughout the year. Both formal and informal training sessions help to reinforce our corporate culture and boost employee morale.

B3. Development and Training

We sponsor and encourage training, research and development and skill upgrading activities for our staff which benefits the Group by adding new ideas for future expansion. The Group provides a budget for external trainings for staff annually. In Hong Kong, the average number of hours per employee was 25 hours of training (2017: 16 hours), which is an improvement of 56%, due to an increase focus on skills development, of which 46% were female and 54% were male and 62% were senior and middle management and 38% were staff (2017: 36% female and 64% male and 73% senior and middle management and 27% staff). Moreover, we sponsored and supported our staff to attend different kinds of conferences, exhibitions and meetings which related to our business. For example, professional industrial organisations and governing bodies held seminars for the employees to update their professional accreditations such as corporate governance, technical and technology exhibitions.

In the future, the Company will arrange functions and retreats for our staff to enhance their teamwork, and communication and interpersonal skills during the activities. For example, organising outdoor activities such as boat trips and similar activities for our staff to enrich their connections with each other in a casual environment outside of the workplace. Overall, we aim to correlate employees' skillsets to the right trainings, meetings, conferences and exhibitions for acquiring new skills and opportunities for the staff and the Group.

B4. Labour Standards

The Group fully understands that employing child labour and forced labour is a violation of basic human rights and international labour conventions and strictly prohibits the use of child labour and forced labour in our business operations. The Group has also complied with all relevant labour laws and regulations during the year and strives to create an environment of respect, integrity and fairness for our employees.

B5. Supply Chain Management

Our commitment to maintaining the highest ethical and professional standards not only applies to our own business operations but also those of our suppliers and business partners. We aim to build trusting supply chain relationships as we work together to deliver quality services and products. We partner with respected and reputable companies which have a long-standing history with the business community. Any acts of bribery and corruption are strictly prohibited. We actively encourage our suppliers to adopt environmentally and socially responsible behaviour by enforcing our ESG commitments. Our purchasing and procurement decisions are integrated with social responsibility considerations in our supplier selection process.

B6. Product Responsibility

The Group is committed to offering excellent and reliable services to our customers. As one of Asia's leading satellite operators, we aim to provide with consistency high-quality services that meet their current and future requirements. The products and services in which the Company provide are also scrutinised by our research and development and technical teams in order to comply with and satisfy all applicable laws and regulations regionally and globally. The Group is also committed to protecting the privacy of our customers and have taken certain steps to ensure our customer's personal data are protected against unauthorised use or disclosure. Personal data collected by the Group will be used or disclosed only in accordance with our Personal Data (Privacy) Policy and the Hong Kong Personal Data (Privacy) Ordinance.

B7. Anti-Corruption

The Group values and upholds integrity, fairness, transparency and accountability. There was no corruption and fraud identified. Anti-bribery and anti-corruption standards are important parts of the Group's policies and operating practices which are reinforced by our employees and communicated to key stakeholders who had dealings with the Group. The Group's whistle-blowing policies apply to all stakeholders including employees, shareholders, customers and suppliers. The whistle-blowing mechanisms allow stakeholders to report suspected misconduct, malpractices or fraudulent activities with confidence. Cases reported are followed up independently and all cases are reported by the Group's internal audit function to the Audit Committee and executive management. We expect to maintain the highest standard of values and integrity in the anti-corruption policies and update it with the latest news of any anti-corruption regulations and laws to our employees. During the year, the Group was not aware of any breach of laws and regulations that have a significant impact on the Group relating to anti-corruption.

B8. Community Investment

Caring for the society and taking suitable action by acting as a corporate citizen build up meaningful and supportive relationships within the communities which we serve. Our corporation values education as it is the foundation to building up innovative and meaningful communities which fosters the education cycle again in society. We sponsored different higher education institutions and research and development partnerships for improving their education quality to foster talent for the technology industry and even for the whole community. Specifically, we established the CMMB Vision-University of Washington Joint Research Centre on Satellite Multimedia and Connected Vehicles with the University of Electronic Science & Technology of Electrical Engineering in Seattle, and also the Joint-Laboratory with the University of Electronic Science & Technology and the Telematics Industry Applications Alliance in China which is dedicated to satellite-LTE integrated multimedia services. Locally in Hong Kong, we also supported and sponsored other groups, such as the 2018 Hong Kong Regatta Championship and 2018 Asian Rowing Coastal Championship, as part of our investment in the community to foster an active lifestyle and fair competition.

FUTURE DEVELOPMENTS

Meeting and exceeding our ESG sustainability achievements are supported by directors, management and employees within the Group as we continue to achieve our goals and meet stakeholders' expectations. Continuous motivation for our talents to reach for higher achievements, build up harmonious relationships amongst our stakeholders and serve our community with meaningful and constructive relationships are key attributes we strive for. In the coming 12 months, the Group will focus on several aspects to achieve higher sustainability including environment preservation, talent development, society and community involvement. The sustainability of the Group's ESG policies will be carefully considered when pursuing our future business endeavours. The Group has and will continue to cultivate a culture of caring for our environment, people and community.

The directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 34 to the consolidated financial statements.

BUSINESS REVIEW

A review of the business of the Group during the year, an analysis of the Group's performance during the year using financial key performance indicators, a discussion on the Group's future business development and a description of possible risks and uncertainties that the Group may be facing are provided in the Chairman's Statement and Management Discussion and Analysis on pages 4 to 5 and pages 6 to 13 of the annual report respectively. The financial risk management objectives and policies of the Group can be found in notes 5 and 6 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss and other comprehensive income.

The directors did not recommend any payment of dividend to the shareholders for the year ended 31 December 2018.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the largest and the five largest customers of the Group accounted for approximately 44% and 99% of the Group's revenue, respectively.

At no time during the year did a director, an associate of a director or any shareholders (which to the 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.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years is set out on page 3 of the annual report.

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Details of the movements during the year in the property, plant and equipment and intangible assets of the Group are set out in notes 16 and 17 to the consolidated financial statements respectively.

SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2018 are set out in note 34 to the consolidated financial statements.

CONVERTIBLE NOTES

Details of the convertible notes at 31 December 2018 are set out in note 26 to the consolidated financial statements.

SHARE CAPITAL

During the year, an aggregate of 834,140,625 in new shares were issued, which represents approximately 27% change in the existing issued share capital as at 31 December 2018. 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.

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

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company did not have in aggregate reserves available for distribution to the shareholders as at 31 December 2018. Under the Companies Law Chapter 22 of the Cayman Islands, the share premium of the Company amounted to approximately US$36,925,000 as at 31 December 2018 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 of the Company 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

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

In accordance with Article 108(A) of the Articles, at each annual general meeting ("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, Dr. LIU Hui, Mr. YANG Yi and Dr. WANG Wei-Lin will retire from the office and, being eligible, offer themselves for re-election at the forthcoming AGM of the Company.

A circular containing an explanatory statement on the Company repurchasing its shares, the biographical details of the director candidates and the notice of AGM will be sent to shareholders of the Company.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND SHARE OPTIONS

As at 31 December 2018, 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 ("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 shareholding
Mr. WONG Chau Chi	The Company	Interest of controlled corporation (note)	704,338,003	22.83%

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

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 (within the meaning of Part XV of the SFO) as at 31 December 2018 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 OPTION SCHEME

On 18 December 2015, the directors adopted a share option scheme ("Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Company. Eligible participants of the share option scheme include, without limitation, employees, directors and shareholders of the Group. During the year ended 31 December 2018, the Company did not grant any share options to the directors, employees and consultants who are engaged to provide investment advisory services for the business development of the Group. Particulars of the Share Option Scheme and details of the movements during the year in the share options of the Company are set out in note 28 to the consolidated financial statements.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

Except as disclosed in note 32 to the consolidated financial statements, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2018, 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 issued share capital**
Chi Capital	Beneficial owner (note 2)	662,078,003 (L)	21.46%
Chi Capital Securities Limited	Beneficial owner (note 2)	42,260,000 (L)	1.37%
Mr. WONG Chau Chi	Interest of controlled Corporation (note 2)	704,338,003 (L)	22.83%

Notes:

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

2. These shares are registered under the name of Chi Capital, a company wholly owned by Mr. WONG Chau Chi, who was the sole shareholder and director of Chi Capital; and Chi Capital Securities Limited, a wholly-owned subsidiary of Chi Capital. Under the SFO, Mr. WONG Chau Chi was deemed to be interested in all the shares held by Chi Capital and its subsidiary.

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 2018.

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. The related party transactions disclosed in note 32 to the consolidated financial statements are exempted continuing connected transactions.

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

The Company is empowered by the applicable Cayman Islands Companies Law and the Articles of the Association to repurchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable regulations imposed from time to time by the Stock Exchange. There was no purchase, sale, redemption or writing-off by the Company or any of its subsidiaries, of the Company's listed shares during the year ended 31 December 2018.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Except as disclosed, during the year, none of the directors had any interests in a competing business to the Group which was required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

EMOLUMENT POLICY

The Group's emolument policy is designed to attract, retain and motivate talented individuals to contribute to the success of its business. The emolument policy of the employees of the Group is formulated and reviewed by management on the basis of their merit, qualifications and competence.

The emoluments of the directors and the senior management of the Group are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

The Company currently has a Share Option Scheme as an incentive to directors and eligible employees, details of which are set out in note 28 to the consolidated financial statements.

The Group operates a mandatory provident fund ("MPF") scheme under the rules and regulations of the MPF Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF scheme. Contributions are made based on a percentage of the employees' salaries and are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the MPF scheme. The assets of the MPF scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF scheme. No forfeited contribution is available to reduce the contribution payable in the future years as at 31 December 2018. During the year, the total amounts contributed by the Group to the schemes and costs charged to the consolidated statement of income or loss represent contributions payable to the schemes by the Group at designated rates according to the rules of the schemes.

PERMITTED INDEMNITY PROVISION

The directors shall be indemnified against all losses and liabilities which they may incur in connection with their duties. The Company has arranged the appropriate directors and officers liability insurance coverage for the directors and officers of the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association 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 of any holders of securities of the Company who 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 annual report, the directors consider that the Company has maintained a sufficient public float as required under the Listing Rules, throughout the year ended 31 December 2018.

EVENT AFTER THE REPORTING PERIOD

On 11 January 2019, the Company entered into subscription agreements with subscribers for the subscription of an aggregate 66,081,535 new shares for an aggregate consideration of approximately HK$7,137,000 at the subscription price of HK$0.108 per subscription share. The subscription was completed on 21 January 2019. The intent of the proceeds was to provide general working capital for the Company.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange. The Company considers all of the independent non-executive directors are independent.

AUDITOR

The consolidated financial statements for the year ended 31 December 2018 have been audited by HLM CPA Limited, who will retire and being eligible, offer themselves for re-appointment. A resolution will be proposed in the forthcoming AGM to re-appoint HLM CPA Limited as auditor of the Company.

For and on behalf of the Board

WONG Chau Chi
Chairman
Hong Kong, 28 March 2019

恒健會計師行有限公司
HLM CPA LIMITED
Certified Public Accountants

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

OPINION

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 50 to 120, which comprise the consolidated statement of financial position as at 31 December 2018, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment review of intangible asset

As set out in Note 17 to the consolidated financial statements, the Group owned intangible asset of approximately US$97,497,000 as at 31 December 2018. The intangible asset represents the spectrum usage rights held by the Group in the United States of America.

We have identified an impairment review of intangible asset as a key audit matter due to the significant judgements and assumptions about the future performance of the spectrum usage involved in the management's impairment review process.

Management is required to carry out an impairment test at least annually. Independent external valuations were obtained in order to support management's estimates. An income approach was adopted in the valuation conducted by the independent professional valuer, in which value in use is calculated with cash flow projections based on financial budgets approved by the management, which is judgemental and based on a number of assumptions.

How our audit addressed the Key Audit Matter

Our procedures in relation to management's valuation of the intangible asset included:

– evaluating the independent external valuer's competence, capabilities and objectivity;

– assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the industry; and

– checking on a sample basis, the accuracy and relevance of the input data used in the valuation.

We found the assumptions adopted in relation to these impairment assessments to be supportable and reasonable based on available evidence.

Interests in an associate

As set out in Note 19 to the consolidated financial statements, the Group's 20% equity interest in Silkwave Holdings Limited is accounted for under the equity method and considered for impairment in case of a significant decline in value.

The Group's share of losses from Silkwave Holdings Limited for the year ended 31 December 2018 was approximately US$5,369,000 and the Group's share of Silkwave Holdings Limited's net assets was approximately US$232,981,000 as at 31 December 2018. The accounting for the investments in Silkwave Holdings Limited is significant to our audit as the carrying value of the investment is substantial, and critical management's judgement is required in determining if there is any decline in carrying value of the investment. In the context of our audit of the Group's consolidated financial statements, the key audit matters relating to the Group's share of losses and net assets of Silkwave Holdings Limited are summarised below:

Impairment review of intangible asset: Silkwave Holdings Limited has US$ 1,103,788,000 of intangible asset as at 31 December 2018. The intangible asset represents satellite intangible assets, including right to occupy the orbital slot and broadcast spectrum, held by Silkwave Holdings Limited.

Management is required to carry out an impairment test at least annually. Independent external valuations were obtained in order to support management's estimates. An income approach was adopted in the valuation, in which value in use is calculated with cash flow projections based on financial budgets approved by the management, which is judgemental and based on a number of assumptions.

How our audit addressed the Key Audit Matter

We have evaluated management's assessment of the impairment indicators of Silkwave Holdings Limited. We have determined that the audit work performed and evidence obtained were sufficient for our purpose. The procedures performed on the respective key audit matters included:

For impairment review of intangible asset:

– evaluating the independent external valuer's competence, capabilities and objectivity;

– assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the industry; and

– checking on a sample basis, the accuracy and relevance of the input data used in the valuation.

We found the assumptions adopted in relation to these impairment assessments to be supportable and reasonable based on available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLDIATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

HLM CPA Limited
Certified Public Accountants
Chan Lap Chi
Practising Certificate Number: P04084
Hong Kong, 28 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	NOTES	2018 US$'000	2017 US$'000
Revenue	7	**6,470**	7,034
Cost of sales		**(4,015)**	(4,304)
Gross profit		**2,455**	2,730
Other income	8	**2**	1
Administrative expenses		**(2,029)**	(2,025)
Market development and promotion expenses		**(4,064)**	(4,406)
Other expenses		**(1,308)**	(1,853)
Finance costs	9	**(4,102)**	(1,960)
Gain on redemption of convertible notes		**3,428**	1,257
Gain on disposal of assets classified as held for sale	21	**42,829**	–
Share of results of an associate	19	**(5,369)**	–
Impairment loss recognised on intangible assets	17	**(9,091)**	–
Profit (loss) before tax		**22,751**	(6,256)
Income tax expense	10	**–**	(187)
Profit (loss) for the year	11	**22,751**	(6,443)
Other comprehensive income (expense), net of tax			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences arising on translation of foreign operations		**(122)**	(205)
Total comprehensive income (expense) for the year, net of tax		**22,629**	(6,648)
Profit (loss) for the year attributable to:			
– Owners of the Company		**24,808**	(6,622)
– Non-controlling interests		**(2,057)**	179
		22,751	(6,443)
Total comprehensive income (expense) for the year attributable to:			
– Owners of the Company		**24,686**	(6,827)
– Non-controlling interests		**(2,057)**	179
		22,629	(6,648)
		US cents	US cents
Earnings (loss) per share	15		
Basic		**0.94**	(0.32)
Diluted		**0.66**	(0.34)

Consolidated Statement of Financial Position

At 31 December 2018

	NOTES	2018 US$'000	2017 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**562**	698
Intangible assets	17	**97,497**	106,588
Interests in an associate	19	**232,981**	–
Financial asset at fair value through profit or loss	20	**1,650**	–
Deposits for the acquisition of assets	18	**–**	94,000
		332,690	201,286
CURRENT ASSETS			
Trade and other receivables	22	**1,487**	3,780
Amount due from a related company	25	**9,131**	7,127
Amount due from an associate	25	**64**	–
Bank balances and cash	23	**2,360**	1,181
		13,042	12,088
Assets classified as held for sale	21	**–**	7,171
		13,042	19,259
CURRENT LIABILITIES			
Trade and other payables	24	**8,009**	3,534
Tax payable		**222**	222
		8,231	3,756
NET CURRENT ASSETS		**4,811**	15,503
TOTAL ASSETS LESS CURRENT LIABILITIES		**337,501**	216,789
NON-CURRENT LIABILITY			
Convertible notes	26	**51,668**	16,145
NET ASSETS		**285,833**	200,644

Consolidated Statement of Financial Position

At 31 December 2018

	NOTES	2018 US$'000	2017 US$'000
CAPITAL AND RESERVES			
Share capital	27	**3,966**	2,900
Share premium and reserves		**255,390**	169,210
Equity attributable to owners of the Company		**259,356**	172,110
Non-controlling interests		**26,477**	28,534
TOTAL EQUITY		**285,833**	200,644

The consolidated financial statements on pages 50 to 120 were approved and authorised for issue by the Board of Directors on 28 March 2019 and are signed on its behalf by:

DIRECTOR *DIRECTOR*

	Attributable to owners of the Company											
	Share capital US$'000	Share premium US$'000	Merger reserve US$'000 (note 1)	Distributable reserve US$'000 (note 2)	Share option reserve US$'000	Capital reserve US$'000 (note 3)	Convertible notes reserve US$'000	Exchange reserve US$'000	(Accumulated losses) retained earnings US$'000	Sub-total US$'000	Non-controlling interests US$'000	Total US$'000
At 1 January 2017	2,419	199	31,987	129,757	65	2,110	15,999	(36)	(17,947)	164,553	28,355	192,908
Profit (loss) for the year	–	–	–	–	–	–	–	–	(6,622)	(6,622)	179	(6,443)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	(205)	–	(205)	–	(205)
Total comprehensive (expense) income for the year	–	–	–	–	–	–	–	(205)	(6,622)	(6,827)	179	(6,648)
Issue of shares by placement	481	18,758	–	–	–	–	–	–	–	19,239	–	19,239
Lapse of share options	–	–	–	–	(65)	–	–	–	65	–	–	–
Release upon redemption of convertible notes	–	–	–	–	–	–	(4,855)	–	–	(4,855)	–	(4,855)
At 31 December 2017 and 1 January 2018	2,900	18,957	31,987	129,757	–	2,110	11,144	(241)	(24,504)	172,110	28,534	200,644
Profit (loss) for the year	–	–	–	–	–	–	–	–	24,808	24,808	(2,057)	22,751
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	(122)	–	(122)	–	(122)
Total comprehensive (expense) income for the year	–	–	–	–	–	–	–	(122)	24,808	24,686	(2,057)	22,629
Issue of shares by placement	1,066	17,968	–	–	–	–	–	–	–	19,034	–	19,034
Release upon redemption of convertible notes	–	–	–	–	–	–	(8,337)	–	–	(8,337)	–	(8,337)
Recognition of equity component of convertible notes	–	–	–	–	–	–	51,863	–	–	51,863	–	51,863
At 31 December 2018	3,966	36,925	31,987	129,757	–	2,110	54,670	(363)	304	259,356	26,477	285,833

Note:

1. 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.

2. 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.

   On 10 September 2012, every ten issued and unissued shares were consolidated into one consolidated share from HK$0.01 to HK$0.10.

   On 21 June 2016, every ten issued and unissued shares were consolidated into one consolidated share from HK$0.10 to HK$1.

   On 8 September 2016, the authorised and issued share capital of the Company was reduced through a reduction in the nominal value of each share from HK$1 to HK$0.01. The credit balance of the capital reduction amount after reducing the accumulated losses of the Company was transferred to distributable reserve.

3. Capital reserve represents (i) the capital contribution from a shareholder of the Company through the shares granted by a shareholder to the employees of the Company during the year ended 31 December 2006 and 2008, (ii) deemed capital contribution from a shareholder regarding the non-interest bearing advances.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	NOTES	2018 US$'000	2017 US$'000
OPERATING ACTIVITIES			
Profit (loss) for the year		**22,751**	(6,443)
Adjustments for:			
Income tax expense	10	**–**	187
Finance costs	9	**4,102**	1,960
Depreciation of property, plant and equipment	16	**228**	179
Interest income	8	**(2)**	(1)
Gain on redemption of convertible notes		**(3,428)**	(1,257)
Gain on disposal of assets classified as held for sale	21	**(42,829)**	–
Share of results of an associate	19	**5,369**	–
Impairment loss recognised on intangible assets	17	**9,091**	–
Impairment loss recognised on other receivables		**–**	(76)
Provision for a financial guarantee liability		**–**	1,499
Operating cash flows before movements in working capital		**(4,718)**	(3,952)
Decrease (increase) in trade and other receivables		**2,293**	(2,429)
Increase (decrease) in trade and other payables		**4,475**	(1,793)
Advances to an associate		**(64)**	–
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**1,986**	(8,174)
INVESTING ACTIVITIES			
Interest received		**2**	1
Deposits paid for the acquisition of assets		**–**	(2,558)
Purchase of property, plant and equipment	16	**(93)**	(437)
NET CASH USED IN INVESTING ACTIVITIES		**(91)**	(2,994)
FINANCING ACTIVITIES			
Interest paid		**(3)**	(1)
Repayments to a related company		**(2,004)**	(2,488)
Proceeds from issue of shares		**19,034**	19,239
Redemption of convertible notes		**(17,589)**	(10,125)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(562)**	6,625

	2018 US$'000	2017 US$'000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,333**	(4,543)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**1,181**	5,925
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(154)**	(201)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, Represented by bank balances and cash	**2,360**	1,181

MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2018, the Company completed the acquisition of 20% equity interest in Silkwave Holdings Limited and a call option to acquire additional 31% equity interest in Silkwave Holdings Limited at the consideration of US$240,000,000, in which US$94,000,000 was paid in prior years, US$96,000,000 was satisfied by the issuance of convertible notes and the remaining US$50,000,000 was satisfied by disposal of the Company's 49% equity interest in Global Vision Media Technology Co. Ltd.

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 Group is principally engaged in the development and promotion of CMMB-based multimedia and interactive services via proprietary terrestrial infrastructure. The Group is operating a terrestrial UHF wireless television ("TV") network providing digital media and entertainment services to New York and other key markets in preparation to deploying a similar multimedia service platform in the United States of America ("US").

Converged Mobile Multimedia Broadcasting ("CMMB") is a digital mobile multimedia technology developed by and currently commercially deployed in the People's Republic of China (the "PRC") under the National Radio and Television Administration ("NRTA"). It can deliver digital mobile TV and multimedia contents via both terrestrial and satellite networks directly to mobile and wireless devices such as smartphones, tablets, pocket TV, laptops, automobile digital receivers and personal media players that are equipped with a CMMB-enabled chipset. Its broadcast oriented delivery capability can render data contents to be received anytime anywhere with enormous scale and cost efficiency and encounter no traffic interruption or bandwidth squeeze typical of today's unicast-based cellular network. The signals can be received over 350 kilometer/hour without distortion.

The Group is also engaged in trading business which relates to the procurement and distribution of printed circuit board ("PCB") materials.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Applications of new and amendments to HKFRSs

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK (IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKAS 28 (Amendments)	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
HKAS 40 (Amendments)	Transfers of Investment Property

Except as described below, the application of the new and amendments to HKFRSs and the interpretation 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.

HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretation and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The adoption of HKFRS 15 does not have any material impact on the Group's consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Applications of new and amendments to HKFRSs *(Continued)*

HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 Financial Instruments. HKFRS 9 introduces new requirements including 1) the classification and measurement of financial assets and financial liabilities and 2) expected credit losses ("ECLs") for financial assets.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under an ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. There is no significant impact on the Group's financial position and financial results upon initial application at 1 January 2018.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

a. Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVTOCI") and at fair value through profit or loss ("FVTPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, all of the Group's financial assets are subsequently measured at amortised cost or fair value. The carrying amounts for all financial assets and financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

b. Expected credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39. The Group applies the new ECL model to financial assets measured at amortised cost (including bank balances and cash, trade and other receivables and amount due from a related company and an associate). For further details on the Group's accounting policy for accounting for credit losses, please refer to note 3.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New and amendments to HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective.

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
HKAS 1 and HKAS 8 (Amendments)	Definition of Material[2]
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation[1]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
HKFRS 3 (Amendments)	Definition of a Business[3]
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement[1]
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures[1]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015-2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.

2 Effective for annual periods beginning on or after 1 January 2020.

3 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

4 Effective for annual periods beginning on or after 1 January 2021.

5 Effective for annual periods beginning on or after a date to be determined.

Except for the new HKFRSs mentioned below, the directors of the Company anticipated that the application of all other new and amendments to HKFRSs and the interpretation will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant assets should be accounted for as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New and amendments to HKFRSs issued but not yet effective *(Continued)*

HKFRS 16 Leases *(Continued)*

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows respectively by the Group.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at the end of the reporting period, the Group has non-cancellable operating lease commitments of approximately US$895,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Groups will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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.

Basis of preparation

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of preparation *(Continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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 in 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.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate.

Business combinations

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value if the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after the reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another HKFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

The subsequent accounting for the changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from the interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if those interests were disposed of.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

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, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Any retained portion of interests in an associate that has not been classified as held for sale shall be accounted for using the equity method. 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, interests 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 exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net interests 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 the associate.

Interests in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of interests 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 interests 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates *(Continued)*

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if again or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When a group entity transacts with an associate of the Group, 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.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of interests, in an associate, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

To determine whether to recognise revenue, the Group follows a 5-step model in accordance with HKFRS 15:

1. Identifying the contract with a customer

2. Identifying the performance obligations

3. Determining the transaction price

4. Allocating the transaction price to the performance obligations

5. Recognising revenue when/as performance obligation(s) are satisfied

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Further details of the Group's revenue recognition policies are as follows:

Trading 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 TV stations 24 hours a day, seven days a week. Service income will be recognised on a straight-line basis over the contract period.

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.

3. 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).

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

3. 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 relevant asset is estimated in order to determine the extent of impairment loss, if any. The recoverable amount of tangible assets are estimated individually, or 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.

The recoverable amount is the higher of fair value less costs of disposal 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 (or a cash-generating unit) 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.

Taxation

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

The tax currently payable is based on taxable profit (loss) for the year. Taxable profit (loss) differs from profit (loss) before tax 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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 rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

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

Borrowing costs

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on settlement of monetary items, and on the retranslation of 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 Group's 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 (attributable to non-controlling interests as appropriate).

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.

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 retained earnings (accumulated losses).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions *(Continued)*

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

Share options granted to consultants

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

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 FVTPL) 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 FVTPL are recognised immediately in profit or loss.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points 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 asset or financial liability, 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.

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2 to the consolidated financial statements)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes trade and other receivables, amounts due from a related company and an associate and an associate and bank balances and cash.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/ initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2 to the consolidated financial statements)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 including trade and other receivables and amount due from a related company and an associate. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected o cause a significant decrease in the debtor's ability to meet its debt obligations;

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2 to the consolidated financial statements) (Continued)

Significant increase in credit risk *(Continued)*

- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

The Group's financial assets are classified into the following specified categories: financial assets at FVTPL and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which HKFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near term; or
- On initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designed and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018) (Continued)

Financial assets at FVTPL *(Continued)*

A financial asset other than a financial asset held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Loans and receivables

Loans and receivables (including trade and other receivables, amounts due from a related company and an associate and bank balances) 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).

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018)

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018) (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Convertible notes contain debt and equity components

The component parts of the convertible loan notes issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled 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 an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Other financial liabilities

Other financial liabilities (including trade and other payables) are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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 is recognised in profit or loss.

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts issued by the Group are initially recognised at their fair values and, if not designated as at FVTPL are subsequently measured at the higher of: (i) the amount of obligation under the contact, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised with the revenue recognition policies.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the end of each reporting period, and are discounted to present value where the effect is material.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

A party is a person or an entity that is related to the Group if:

(a) A person or a close member of that person's family, related to the Group if that person:

(i) has control or joint control of the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group; or

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Critical judgment in applying accounting policies

The following is the critical judgment, apart from those involving estimations (see below), that the directors of the Company 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.

Enforceability of the finance lease agreement

Section 310 of the Communication Act of 1934 in US ("US rules and regulations") places certain restrictions on foreign investment in and ownership of a US broadcast licensee. The Group conducts their CMMB Business in US principally through a finance lease agreement with New York Broadband, LLC ("NYBB") being the lessor (Note 17). The directors of the Company, after consulting legal opinion, are of the view that such lease agreement is valid, binding and enforceable, and do not result in any violation of the US rules and regulations currently in effect in all material respects. However, if the US government changes its regulations to restrict or prohibit companies of foreign sources from operating TV stations in US, the Group may have difficulties in enforcing its rights under the lease agreement. In such case, the Group may not be able to operate its intangible assets which may have an adverse and material effect on the carrying amount of the intangible assets and the Group's operation and results thereof.

Renewal of spectrum usage rights

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

Key sources of estimation uncertainty

The following is 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.

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

Key sources of estimation uncertainty *(Continued)*

Impairment of intangible assets

During the current year, the management has evaluated the impairment of intangible assets by way of value in use ("VIU") calculation by reference to the discounted cash flows derived from financial budgets approved by the management of the Group only, determined as the fair value less cost of disposal, as reference to the latest market transaction ("FVLCTS") is not available in the current year. If the VIU is less than the corresponding carrying amounts, an impairment loss may be required. For the year ended 31 December 2017 and 2018, VIU is used to compare the carrying amount of the spectrum usage rights for impairment assessment. As VIU is lower than its carrying amount, an impairment loss of US$9,091,000 (2017: Nil) was recognised in profit or loss for the year ended 31 December 2018. As at 31 December 2018, the carrying amount of intangible assets was US$97,497,000 (2017: US$106,588,000).

Impairment of interests in an associate

Satellite intangible assets, including right to occupy the orbital slot and broadcast spectrum, held by Silkwave Holdings Limited represents major assets of the associate.

During the current year, the management has evaluated the impairment of the satellite intangible assets by way of value in use calculation by reference to the discounted cash flows derived from financial budgets approved by the management of the Group ("VIU").

As VIU of the satellite intangible assets is higher than its carrying amount, no impairment (2017: Nil) was recognised on the satellite intangible assets in profit or loss for the year ended 31 December 2018. Thus, also no impairment (2017: Nil) was recognised on interests in an associate in profit or loss for the year ended 31 December 2018. As at 31 December 2018, the carrying amount of interests in an associate were US$232,981,000 (2017: Nil).

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

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	2018 US$'000	2017 US$'000
Financial assets		
Financial assets measured at amortised cost (including bank balances and cash)	**12,912**	10,226
Financial assets at FVTPL	**1,650**	–
Financial liabilities		
Financial liabilities measured at amortised cost	**52,996**	17,382

6b. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, bank balances, trade payables, amounts due from a related company and an associate 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 and interest rate 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 and amounts due of the Group are denominated in currencies other than US dollars, 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	
	2018 US$'000	2017 US$'000	**2018 US$'000**	2017 US$'000
Hong Kong dollars	**–**	–	**9,356**	7,659
Renminbi	**–**	–	**13**	17

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.

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(i) Currency risk (Continued)

Sensitivity analysis

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

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

(ii) Interest rate risk

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

The Group currently does not have any interest rate hedging policy. The directors of the Company 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 2018 and 2017, 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. Any variations in interest rates are not expected to have a significant impact on the result of the Group. Accordingly, no sensitivity analysis is performed for the years ended 31 December 2018 and 2017.

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.

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

As at 31 December 2018, the Group has concentration of credit risk as the total trade receivables was due from the Group's largest customer (2017: three). The management is of the view that this customer has good track records and considers that the trade receivables from this customer are recoverable.

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

In order to minimise the credit risk, management continuously monitors the level of exposure to individual customers to ensure that follow-up actions and/or corrective actions are taken promptly to lower the risk exposure or to recover overdue balances. 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.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs. The Group assessed that there is no significant loss allowance recognised in accordance with HKFRS 9 as at 31 December 2018. Expected loss rates are based on actual loss experience over the years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Liquidity risk

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

The directors of the Company are taking active steps to improve the liquidity position of the Group and the Group should be able to continue as a going concern.

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.

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity risk tables

2018

	Weighted average interest rate %	Less than 1 month or on demand US$'000	1 to 3 months US$'000	3 months to 1 year US$'000	1 to 6 years US$'000	Total undiscounted cash flows US$'000	Carrying amount at 31/12/2018 US$'000
Trade payables	–	531	797	–	–	1,328	1,328
Convertible notes (note 26)	–	–	–	–	101,921	101,921	51,668
		531	797	–	101,921	103,249	52,996

2017

	Weighted average interest rate %	Less than 1 month or on demand US$'000	1 to 3 months US$'000	3 months to 1 year US$'000	1 to 6 years US$'000	Total undiscounted cash flows US$'000	Carrying amount at 31/12/2017 US$'000
Trade payables	–	198	615	424	–	1,237	1,237
Convertible notes (note 26)	–	–	–	–	23,510	23,510	16,145
		198	615	424	23,510	24,747	17,382

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.

6. FINANCIAL INSTRUMENTS *(Continued)*

6c. Fair value

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

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

One of the Group's financial assets 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 asset is determined (in particular, the valuation technique(s) and inputs used).

Financial asset	Fair value as at		Fair value hierarchy	Valuation technique and key inputs	Significant unobservable input(s)
	31/12/2018	31/12/2017			
Financial asset at fair value through profit or loss – Call Option granted for a further 31% equity interest in Silkwave Holdings Limited	US$1,650,000	–	Level 3	Binomial model – in this approach, certain parameters determined by management are input into the binomial model to derive the valuation of the call option. Certain parameters include: – Share price – Exercise price – Risk-free rate – Option life – Volatility	Volatility, determined by reference to historical volatilities of companies operating in the same industry

Fair value hierarchy

	Level 1	Level 2	Level 3	Total
	US$'000	US$'000	US$'000	US$'000
2018				
Financial assets				
Financial asset at fair value through profit or loss	**–**	**–**	**1,650**	**1,650**
2017				
Financial assets				
Financial asset at fair value through profit or loss	–	–	–	–

6. FINANCIAL INSTRUMENTS *(Continued)*

6c. Fair value *(Continued)*

(ii) Reconciliation of Level 3 fair value measurements

	2018	2017
	US$'000	US$'000
At 1 January	**–**	–
Call option granted	**1,650**	–
Change in fair value	**–**	–
At 31 December	**1,650**	–

7. REVENUE AND SEGMENT INFORMATION

Information is 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:

i. CMMB business – Provision of transmission and broadcasting of TV programs.

ii. Trading business – 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 2018

	CMMB business	**Trading business**	**Total**
	US$'000	**US$'000**	**US$'000**
Revenue			
Segment revenue	**3,639**	**2,831**	**6,470**
Segment loss	**(8,358)**	**(29)**	**(8,387)**
Market development and promotion expenses	**(4,064)**	**–**	**(4,064)**
Gain on disposal of assets classified as held for sale	**42,829**	**–**	**42,829**
Share of results of an associate	**(5,369)**	**–**	**(5,369)**
Interest income	**–**	**–**	**2**
Unallocated expenses	**–**	**–**	**(2,260)**
Profit for the year			**22,751**

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 2017

	CMMB business US$'000	Trading business US$'000	Total US$'000
Revenue			
Segment revenue	3,501	3,533	7,034
Segment profit (loss)	1,237	(85)	1,152
Market development and promotion expenses	(4,406)	–	(4,406)
Impairment loss recognised on other receivables	–	–	(76)
Interest income	–	–	1
Unallocated expenses	–	–	(3,114)
Loss for the year			(6,443)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit (loss) from each segment after tax without allocation of interest income and central administration expenses. This is the measure reported to Company's executive directors for the purposes of resources allocation and performance assessment.

Segment assets

	2018 US$'000	2017 US$'000
CMMB business	**332,536**	201,640
Trading business	**1,783**	1,665
Total segment assets	**334,319**	203,305
Unallocated		
– Property, plant and equipment	**175**	277
– Other receivables	**120**	1,853
– Amount due from a related company	**9,131**	7,127
– Amount due from an associate	**64**	–
– Bank balances and cash	**1,923**	812
Assets classified as held for sale	**–**	7,171
Consolidated total assets	**345,732**	220,545

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment liabilities

	2018 US$'000	2017 US$'000
CMMB business	**53,588**	16,619
Trading business	**1,371**	1,273
Total segment liabilities	**54,959**	17,892
Unallocated		
– Accruals	**901**	433
– Other payables	**4,039**	1,576
Consolidated total liabilities	**59,899**	19,901

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

- segment assets include certain property, plant and equipment, intangible assets, deposits for the acquisition of assets, interest in an associate, financial asset at fair value through profit or loss, certain bank balances and cash and trade receivables; and

- segment liabilities include trade payables, certain accruals and convertible notes.

Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	2018 US$'000	2017 US$'000
Transmission and broadcasting of television programs	**3,639**	3,501
Trading of PCB materials	**2,831**	3,533
	6,470	7,034

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Other segment information

	CMMB business US$'000	Trading business US$'000	Total US$'000
Amounts included in the measure of segment profit or loss:			
Year ended 31 December 2018			
Depreciation	**116**	**–**	**116**
Effective interest expense on convertible notes	**4,099**	**–**	**4,099**
Gain on redemption of convertible notes	**(3,428)**	**–**	**(3,428)**
Impairment loss recognised on intangible assets	**9,091**	**–**	**9,091**
Year ended 31 December 2017			
Depreciation	86	–	86
Effective interest expense on convertible notes	1,959	–	1,959
Gain on redemption of convertible notes	(1,257)	–	(1,257)
Income tax expense	187	–	187

Geographical information

The Group principally operates in the US (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 US except for certain insignificant non-current assets (such as office equipment and motor vehicles) 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 2018 US$'000	Revenue from external customers 2017 US$'000
US	**3,639**	3,501
Taiwan	**2,831**	3,533
	6,470	7,034

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Information about major customers

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

	2018 US$'000	2017 US$'000
Customer A	**2,831**[2]	3,533[2]
Customer B	**2,640**[1]	2,568[1]
Customer C	**966**[1]	680[1]

[1] Revenue from CMMB business

[2] Revenue from Trading business

8. OTHER INCOME

	2018 US$'000	2017 US$'000
Bank interest income	**2**	1

9. FINANCE COSTS

	2018 US$'000	2017 US$'000
Effective interest expense on convertible notes (note 26)	**4,099**	1,959
Interest expense on bank overdrafts	**3**	1
	4,102	1,960

10. INCOME TAX EXPENSE

	2018	2017
	US$'000	US$'000
Current tax:		
US Income Tax	**–**	187

Hong Kong Profits Tax for 2018 is calculated at 16.5% (2017: 16.5%) on the estimated assessable profits for the year, except for the first HK$2,000,000 of a qualified entity's assessable profit which is calculated at 8.25%, in accordance with the new two-tiered profits tax rates regime with effect from the year of assessment 2018/2019. No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit arising in Hong Kong for both years. In addition, the directors considered that the two-tiered profits tax rates regime is not applicable to any entity within the Group during the year.

For the year ended 31 December 2018, US Income Tax is charged at 24% (2017: 38%) on the estimated assessable profits. No provision for US Income Tax has been made as the Group does not have assessable profit arising in US for the year ended 31 December 2018.

Taiwan Income Tax is charged at 17% on the estimated assessable profits for both years. No provision for Taiwan Income Tax has been made as the Group does not have assessable profit arising in Taiwan for both years.

Under the law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries 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.

The tax charge for the year can be reconciled to the profit (loss) before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	2018	2017
	US$'000	US$'000
Profit (loss) before tax	**22,751**	(6,256)
Tax at the US income tax rate of 24% (2017: 38%)	**5,460**	(2,377)
Tax effect of income not taxable for tax purpose	**(11,781)**	(1,821)
Tax effect of expenses not deductible for tax purpose	**2,687**	4,474
Tax effect of tax losses not recognised	**164**	–
Tax effect of share of results of an associate	**1,288**	–
Tax effect of deductible temporary differences not recognised	**2,182**	–
Utilisation of tax losses previously not recognised	**–**	(89)
Tax charge for the year	**–**	187

10. INCOME TAX EXPENSE *(Continued)*

At the end of both reporting periods, the Group has deductible temporary differences of US$10,425,000 (2017: US$1,334,000) relating to impairment loss recognised on an intangible asset recognised. 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$6,313,000 as at 31 December 2018 (2017: US$5,630,000) 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.

11. PROFIT (LOSS) FOR THE YEAR

	2018	2017
	US$'000	US$'000
Profit (loss) for the year has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
– Directors' remuneration	**241**	235
– Salaries and allowances	**1,173**	886
– Retirement benefit scheme contributions	**18**	18
Total staff costs	**1,432**	1,139
Included in other expenses:		
– Provision for financial guarantee liability	**–**	1,499
– Exchange losses, net	**218**	68
– Legal and professional fee	**1,010**	121
Auditor's remuneration		
– Assurance service	**140**	135
– Non-assurance service	**7**	65
Depreciation of property, plant and equipment	**228**	179

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the seven directors of the Company were as follows:

2018

	Directors							
	Wong Chau Chi US$'000	Liu Hui US$'000	Chou Tsan Hsiung US$'000	Yang Yi US$'000	Wang Wei-Lin US$'000	Li Shan US$'000	Li Jun US$'000	Total 2018 US$'000
Fees	–	–	–	–	–	–	–	–
Other emoluments								
Salaries and other benefits	66	175	–	–	–	–	–	241
Contributions to retirement benefits scheme	–	–	–	–	–	–	–	–
Performance related incentive payments	–	–	–	–	–	–	–	–
Equity-settled share-based payment expense	–	–	–	–	–	–	–	–
Total emoluments	66	175	–	–	–	–	–	241

2017

	Directors							
	Wong Chau Chi US$'000	Liu Hui US$'000	Chou Tsan Hsiung US$'000	Yang Yi US$'000	Wang Wei-Lin US$'000	Li Shan US$'000	Li Jun US$'000	Total 2017 US$'000
Fees	–	–	–	–	–	–	–	–
Other emoluments								
Salaries and other benefits	–	235	–	–	–	–	–	235
Contributions to retirement benefits scheme	–	–	–	–	–	–	–	–
Performance related incentive payments	–	–	–	–	–	–	–	–
Equity-settled share-based payment expense	–	–	–	–	–	–	–	–
Total emoluments	–	235	–	–	–	–	–	235

The directors' emoluments disclosed above include their services in connection with management of the affairs of the Group.

Mr. Wong Chau Chi is also the Chief Executive Officer of the Company.

One of the directors had waived emoluments of US$50,000 (2017: US$50,000) during the year ended 31 December 2018.

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

(b) Directors' material interests, transactions, arrangements or contracts

Except as disclosed in note 32, no other transactions, arrangements and contracts of significance to which the Group as a party and in which a director of the Group had material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

(c) Loans, quasi-loans and other dealings in favour of directors

Except as disclosed in note 32, no other loans, quasi-loans and other dealings in favour of directors of the Group or body corporate controlled by such directors, or entities connected with such directors, subsisted at the end of the year or at any time during the year.

13. EMPLOYEES' REMUNERATIONS

Of the five individuals with the highest emoluments in the Group, there was one director whose emoluments are included in the disclosures in note 12 (2017: one). The emoluments of the remaining four (2017: four) individuals were as follows:

	2018 **US$'000**	2017 US$'000
Salaries and other benefits	**558**	498
Contributions to retirement benefits scheme	**7**	5
	565	503

Their emoluments were within the following bands:

	2018 **No. of employees**	2017 No. of employees
HK$500,001 to HK$1,000,000 (equivalent to US$64,501 to US$129,000)	**2**	3
HK$1,000,001 to HK$1,500,000 (equivalent to US$129,001 to US$194,000)	**1**	–
HK$1,500,001 to HK$2,000,000) (equivalent to US$194,001 to US$258,000)	**1**	1

During the year ended 2018 and 2017, no emoluments had been paid by the Group to the directors of the Company or the five highest-paid individuals referred to note 13 as an inducement to join or upon joining the Group or as a compensation for loss of office.

14. DIVIDENDS

The directors of the Company do not recommend the payment of a dividend for the year ended 31 December 2018 and 2017.

15. 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:

	2018 US$'000	2017 US$'000
Profit (loss)		
Profit (loss) for the year attributable to owners of the Company for the purpose of basic earnings (loss) per share	**24,808**	(6,622)
Effect of dilutive potential ordinary shares:		
– Effective interest expense on convertible notes	**4,099**	180
– Gain on redemption of convertible notes	**(3,428)**	(653)
Profit (loss) for the year attributable to owners of the Company for the purpose of dilutive earnings (loss) per share	**25,479**	(7,095)

Number of shares	**2018**	2017
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**2,646,877,709**	2,060,966,279
Effect of dilutive potential ordinary shares:		
– Convertible notes	**1,217,350,937**	8,921,475
Weighted average number of ordinary shares for the purpose of dilutive earnings (loss) per share	**3,864,228,646**	2,069,887,754

Adjustment has been made to the basic earnings (loss) per share amount for the year ended 31 December 2018 and 2017 in respect of a dilution because the diluted earnings per share amount for the year 2018 is decreased when taking into account dilutive effect of the convertible notes. The diluted loss per share amount for the year 2017 is increased after taking into account the dilutive effect of the convertible notes.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements US$'000	Motor vehicles US$'000	TV equipment US$'000	Office and other equipment US$'000	Total US$'000
COST					
At 1 January 2017	251	117	144	158	670
Additions	–	–	–	437	437
Exchange differences	(2)	(1)	–	(1)	(4)
At 31 December 2017	249	116	144	594	1,103
Additions	–	–	81	12	93
Exchange differences	–	–	–	(1)	(1)
At 31 December 2018	249	116	225	605	1,195
DEPRECIATION					
At 1 January 2017	117	49	37	24	227
Provided for the year	63	18	31	67	179
Exchange differences	(1)	–	–	–	(1)
At 31 December 2017	179	67	68	91	405
Provided for the year	55	18	36	119	228
Exchange differences	–	–	–	–	–
At 31 December 2018	234	85	104	210	633
CARRYING VALUES					
At 31 December 2018	15	31	121	395	562
At 31 December 2017	70	49	76	503	698

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%
TV equipment	20%
Office and other equipment	10-33%

There are motor vehicles, office and other equipment which have been fully depreciated remaining in use at the end of the reporting period.

17. INTANGIBLE ASSETS

	Spectrum usage rights (note a) US$'000	Licensing rights (note b) US$'000	Total US$'000
COST			
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	108,937	1,533	110,470
ACCUMULATED AMORTISATION/IMPAIRMENT			
At 1 January 2017, 31 December 2017, and 1 January 2018	2,349	1,533	3,882
Impairment recognised for the year	9,091	–	9,091
At 31 December 2018	11,440	1,533	12,973
CARRYING VALUE			
At 31 December 2018	97,497	–	97,497
At 31 December 2017	106,588	–	106,588

(a) The spectrum usage rights represented user and operating rights over free-to-air UHF Spectrum TV Stations inclusive of the spectrum usage right, broadcasting rights and operating facilities in eight top US metropolitan cities, which are New York, Los Angeles, San Francisco, Dallas, Houston, Altanta, Miami and Tampa.

The spectrum usage rights are subject to renewal from time to time. The directors of the Company 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.

Since the date of acquisition in year 2012 to date of modification in year 2013, the costs of spectrum usage rights in New York were amortised on a straight-line basis over the leasing period of 20 years under the lease and amortisation of US$664,000 was recognised during the period.

The management conducted an impairment assessment on the spectrum usage rights on the reporting date. The Group's intangible assets were valued by Peak Vision Appraisals Limited, an independent valuer not related to the Group. The directors determined that as at 31 December 2018, there is an impairment loss of US$9,091,000 (2017: Nil) for the spectrum usage rights by reference to the VIU only as the FVLCTS is not available in the current year.

17. INTANGIBLE ASSETS *(Continued)*

(a) *(Continued)*

The basis of the recoverable amounts of the above spectrum usage rights and their underlying assumptions are summarized below:

The recoverable amount of the spectrum usage rights has been determined based on a VIU calculation. The calculation uses cash flow projections based on financial budgets approved by the management covering a three-year period at a discount rate of 10.44% (2017: 13.11%). The spectrum usage rights' cash flow beyond the three-year period are extrapolated using a steady growth rate of 2.20% per annum. (2017: 2.35%). This growth rate is based on projected inflation published by the International Monetary Fund.

Other key assumptions for the VIU calculations relate to the estimation of cash inflows/outflows which included budgeted sales and gross margin. Such estimation is based on the past performance and management's expectations.

The Group's intangible assets are categorised as Level 3 of the fair value hierarchy by inputs for the assets or liabilities that are not based on observable market data. There were no transfer into or out of Level 3 during the year.

Section 310 of the US rules and regulations places certain restrictions on foreign investment in and ownership of a US broadcast licensee. The Group conducts their CMMB business in the US principally through a finance lease agreement with NYBB being the lessor. The directors of the Company, after consulting legal opinion, are of the view that such lease agreement is valid, binding and enforceable, and does not result in any violation of the US rules and regulations currently in effect in all material respects. However, if the US government changes its regulations to restrict or prohibit companies of foreign sources from operating TV stations in US, the Group may have difficulties in enforcing its rights under the lease agreement. In such case, the Group may not be able to operate its intangible assets which may have an adverse and material effect on the carrying amount of the intangible assets and the Group's operation and results thereof.

(b) The licensing rights represented 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 expire in year 2020. As the actual results in the second half of 2012 did not meet the expected results, the directors of the Company recognised an impairment loss of US$1,334,000 for the year ended 31 December 2012. As at 31 December 2018 and 2017, there were no changes to the circumstances which led to the impairment in the prior year. Accordingly, no reversal of impairment loss had been made in the current year.

18. DEPOSITS FOR THE ACQUISITION OF ASSETS

Refundable deposits paid for the acquisition of assets as at 31 December 2018 and 2017 as follows:

	2018 US$'000	2017 US$'000
Satellites and related assets (Note 19)	–	94,000

19. INTERESTS IN AN ASSOCIATE

	2018 US$'000	2017 US$'000
Initial cost of unlisted investment in an associate	238,350	–
Share of results of an associate	(5,369)	–
	232,981	–

Details of the Group's associate as at 31 December 2018 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 Direct	Attributable equity interest held by the Group Indirect	Principal activity
Silkwave Holdings Limited	Cayman Islands/ Hong Kong	US$5,625	20%	–	Investment holding
Silkwave Asia Limited (Note)	Cayman Islands/ Hong Kong	US$1,000	–	20%	Investment holding

The Company completed the acquisition of 20% equity interest in Silkwave Holdings Limited ("Silkwave Holdings") ("Acquisition") and a call option to acquire additional 31% equity interest in Silkwave Holdings ("Call Option") on 29 May 2018 ("Completion"). Through its wholly-owned subsidiary, Silkwave Holdings indirectly holds a geosynchronous L-band satellite operating platform, including the AsiaStar satellite capacity, its 40MHz spectrum frequency use, orbital slots, the Silkwave-1 satellite under construction and a media service platform with ample international programming ("Relevant Assets"), in order to provide multimedia broadcasting and internet-based content delivery services to vehicles and mobile devices in China and Asia Pacific Region.

19. INTERESTS IN AN ASSOCIATE *(Continued)*

The consideration for the Acquisition was US$240,000,000, which was satisfied by (i) cash payment of US$94,000,000; (ii) issuance of convertible notes maturing on 28 May 2025 at the initial conversion price of HK$0.4 with a principal amount of US$96,000,000 and (iii) equity contribution of US$50,000,000, being the disposal of the Company's 49% equity interest in Global Vision Media Technology Co. Ltd ("Global Vision") and transferred into Silkwave Holdings (the "Disposal"). The Disposal was also completed on 29 May 2018.

The Call Option represents an option for the Company to acquire additional equity in Silkwave Holdings within the next 7-years since the Completion, resulting in an equity interest of up to 51%. The exercise price of the Call Option of US$500,000,000 is determined assuming that there would not be any early exercise of the Call Option as it will only become effective when Silkwave Holdings generates an Earnings Before Interest, Taxes, Deprecration and Amortisation ("EBITDA") of US$200,000,000 based on the audited report in any given year during the 7-years period of the Call Option.

As at the date of Completion, all of the conditions precedent to the sale and purchase agreement dated 31 October 2016 ("Agreement") have be satisfied except for condition (iv) the relevant broadcasting licenses and uplink permit or equivalent approval issued by the relevant authority in China has not yet been obtained. To avoid disruption of the business plan, the Company has waived this condition precedent (iv). At the end of the reporting period, the relevant broadcasting licenses, permits and/or approvals have not yet been obtained. The Company has not encountered any significant difficulties or legal or regulatory impediments in obtaining the required licenses, permits and/or approvals.

Acquisition-related costs amounting to approximately US$197,000 have been excluded from the cost of acquisition and have been recognised as administrative expenses and other expenses in consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017.

Note: Silkwave Asia Limited was set up by Silkwave Holdings as its only direct subsidiary to hold the Relevant Assets pursuant to the Agreement. Except as disclosed, Silkwave Holdings has not pursued in other business operation during the year. The Company's interest in Silkwave Asia Limited as disclosed in the interim report of the Company for the six months ended 30 June 2018 has been restructured to Silkwave Holdings.

19. INTERESTS IN AN ASSOCIATE *(Continued)*

No goodwill was arising on the acquisition with details as follows:

	US$'000
Purchase consideration:	
Deposits paid for the Acquisition in prior years (Note 18)	94,000
Convertible notes issued (Note 26)	96,000
Fair value of 49% equity interest in Global Vision transferred to Silkwave Holdings Limited (Note 21)	50,000
	240,000
Share of fair value of net assets acquired	(238,350)
Fair value of Call Option granted to the Company	(1,650)
Goodwill	–

The summarised consolidated financial information in respect of Silkwave Holdings is set out below, which represents amounts shown in Silkwave Holdings' consolidated financial statements prepared in accordance with HKFRSs. Silkwave Holdings is accounted for using the equity method in the consolidated financial statements.

Silkwave Holdings Limited

	2018 **US$'000**
Current assets	**11,130**
Non-current assets	**1,154,554**
Current liabilities	**(775)**
Net assets	**1,164,909**

	2018 **US$'000**
Revenue	**302**
Loss for the year	**(26,844)**
Exchange differences for the year	**3**
Total comprehensive expense for the year	**(26,841)**

19. INTERESTS IN AN ASSOCIATE *(Continued)*

Reconciliation of the above summarised consolidated financial information to the carrying amount of the interest in Silkwave Holdings recognised in the consolidated financial statements:

	2018
	US$'000
Net assets of Silkwave Holdings as at 31 December 2018	**1,164,909**
Proportion of the Group's ownership interest in Silkwave Holdings	**20%**
Share of net assets of the Group in Silkwave Holdings	**232,981**
Goodwill on acquisition	**–**
Carrying amounts	**232,981**

20. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018	2017
	US$'000	US$'000
Unlisted investment designated at FVTPL (Note a)	**–**	–
Call Option granted (Notes 19 and 20(b))	**1,650**	–
	1,650	–

(a) The Group entered into a joint venture agreement on 31 March 2015 to acquire 3% equity interest in Soaring Idea Holdings Limited ("Soaring") at the consideration of US$2,000,000 and an option to acquire an additional 47% equity interest in Soaring for a term of 5 years, maturing in 31 March 2020 for an additional cash consideration of US$3 million. The acquisition was completed on 25 May 2015. Since the option cannot be measured reliably after separation from the whole contract, the 3% equity interest and the option is accounted for as one contract and classified as financial asset at FVTPL.

The directors of the Company recognised an impairment loss of US$2,118,000 for the year ended 31 December 2016 as Soaring recorded significant deficits and negative cash flow. There were no changes to the circumstances which led to the impairment in the prior year. Accordingly, no reversal of impairment loss had been made in the current year.

20. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

(b) As disclosed in note 19, a call option to acquire an additional 31% equity interest in Silkwave Holdings was granted to the Company in the Acquisition. The directors determined the fair value of the Call Option was US$1,650,000 at the Completion and 31 December 2018 respectively.

The Call Option was valued by Peak Vision Appraisals Limited, an independent valuer not related to the Group. The fair value was determined based on Binomial Option Pricing Model at the Completion and the end of the reporting period respectively.

21. ASSETS CLASSIFIED AS HELD FOR SALE

As disclosed in note 19, the Disposal was completed on 29 May 2018.

Gain on disposal of assets classified as held for sale with details as follows:

	US$'000
Fair value of 49% equity interest in Global Vision (Note 19)	50,000
Less: Assets classified as held for sale	(7,171)
Gain on disposal of assets classified as held for sale, included in profit or loss for the year	42,829

22. TRADE AND OTHER RECEIVABLES

	2018	2017
	US$'000	US$'000
Trade receivables	**1,357**	1,918
Other receivables and deposits	**118**	1,838
Prepayments	**12**	24
Total trade and other receivables	**1,487**	3,780

The Group generally allows credit period between 60 to 120 days to its customers of CMMB business and trading business.

The trade receivables are due from a customer under trading business (2017: one). There are no trade receivables under CMMB business as at 31 December 2018 (2017: two).

22. TRADE AND OTHER RECEIVABLES *(Continued)*

The aging analysis of the trade receivables with nil loss allowance, presented based on invoice dates, at the end of the reporting period, are as follows:

	2018 US$'000	2017 US$'000
0 – 30 days	**541**	508
31 – 60 days	**485**	702
61 – 90 days	**331**	504
Over 90 days	**–**	204
	1,357	1,918

The trade receivables that are neither past due nor impaired as at 31 December 2018 have no default payment history.

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

	2018 US$'000	2017 US$'000
0 – 30 days	**331**	718
31 – 60 days	**–**	68
Over 60 days	**–**	272
	331	1,058

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 0.001% to 0.3% (2017: 0.001% to 0.3%) per annum.

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

	2018	2017
	US$'000	US$'000
Hong Kong dollar	**161**	532
Renminbi	**13**	17

24. TRADE AND OTHER PAYABLES

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

	2018	2017
	US$'000	US$'000
0 – 90 days	**1,328**	1,237
Accruals	**2,642**	721
Provision for a financial guarantee liability (note)	**–**	1,499
Other payables	**4,039**	77
Total trade and other payables	**8,009**	3,534

The average credit period granted by its suppliers is 60 days (2017: 60 days).

	2018	2017
	US$'000	US$'000
Accruals included the following items:		
Staff salaries	**227**	66
Auditor's remuneration	**140**	135
Others	**2,275**	520
	2,642	721

24. TRADE AND OTHER PAYABLES *(Continued)*

Note: On 12 June 2015, the Company provided a guarantee to a third party in aggregate amount of US$1,551,000 in respect of an upgrade project undertaken by a subsidiary of the Company's equity investment. By a claim form dated 27 September 2017 served on the Company, the third party demanded payment from the Company for the outstanding balance and accrued interest pursuant to the guarantee. On 10 January 2018, a default judgement was issued in which the Company was ordered to pay the third party US$1,499,000 for debt, interest and costs. The abovementioned amount was provided for in 2017and fully settled during the year ended 31 December 2018.

25. AMOUNTS DUE FROM A RELATED COMPANY/AN ASSOCIATE

	2018	2017
	US$'000	US$'000
Due from Chi Capital Holdings Ltd ("Chi Capital")	**9,131**	7,127
Due from Silkwave Holdings	**64**	–

For the years ended 31 December 2018 and 31 December 2017, the amounts due are non-interest bearing, unsecured and repayable within one year and thus classified as current assets. Chi Capital is controlled by Mr. Wong, a director of the Company.

26. CONVERTIBLE NOTES

On 22 July 2015, the Company issued United States dollar denominated convertible notes with a principal amount of US$38,000,000 ("2021 Convertible Notes") to Chi Capital as part of the consideration for the acquisition of Chi Vision USA Corporation ("Chi Vision"). The maturity date of the 2021 Convertible Notes is 21 July 2021 ("2021 CN Maturity Date") which is 6 years from the date of issue of the 2021 Convertible Notes. The 2021 Convertible Notes are not interest bearing. The 2021 Convertible Notes are convertible into shares at any time after the issuance up to, but excluding, 5 business days prior to the 2021 CN Maturity Date at the conversion price of HK$0.1, subject to antidilutive adjustments.

The initial number of ordinary shares of the Company issuable upon conversion is 2,948,800,000 shares. During the year 2015, US$9,664,948 value of the 2021 Convertible Notes had been converted into shares of the Company. Pursuant to terms and conditions of the 2021 Convertible Notes, the conversion price and the number of conversion shares to be issued upon the exercise of conversion rights attached to the outstanding 2021 Convertible Notes were adjusted to HK$1 and 219,880,000 shares respectively upon the completion of the share consolidation on 21 June 2016. During the year 2018, the 2021 Convertible Notes in principal amount of US$17,589,000 (2017: US$4,825,000) were redeemed at redemption amount of US$17,589,000 (2017: US$4,825,000).

On 22 July 2015, the Company issued United States dollar denominated convertible notes with a principal amount of US$5,300,000 ("LA Convertible Notes") to Chi Capital as part of the consideration for the acquisition of Chi Vision. During the year 2017, the LA Convertible Notes in principal amount of US$5,300,000 were fully redeemed at a redemption amount of US$5,300,000.

26. CONVERTIBLE NOTES *(Continued)*

As stated in note 19, on 29 May 2018, the Company issued US dollar denominated convertible notes with a principal amount of US$96,000,000 ("2025 Convertible Notes") to Chi Capital as part of the consideration for the acquisition of 20% equity interest in Silkwave Holdings Limited. The maturity date of the 2025 Convertible Notes is 28 May 2025 ("2025 CN Maturity Date") which is 7 years from the date of issue of the 2025 Convertible Notes. The 2025 Convertible Notes are non-interest bearing and mature on 2025 CN maturity date at the principal amount. The 2025 Convertible Notes are convertible into shares at any time after the issuance and up to, but excluding, 5 business days prior to the 2025 CN Maturity Date at the conversion price of HK$0.4 each share, subject to anti-dilutive adjustments.

The initial number of ordinary shares of the Company issuable upon conversion is 1,862,400,000 shares, which represents 41.5% of the total number of ordinary shares of the Company issued and outstanding as of the issue date of the 2025 Convertible Notes on a fully diluted basis.

The issue of the 2025 Convertible Notes was split between a liability component and an equity component in its initial recognition as follows: (i) Liability component was initially measured at fair value amounted to approximately US$44,137,000 which represents the present value of the contractually determined stream of future cash flows discounted at the market interest rate applicable to comparable non-convertible bonds. It is subsequently measured at amortised cost by applying an effective interest rate of 11.41% per annum; and (ii) Equity component, which was equal to the difference between the principal and the fair value of the liability component, amounted to approximately US$51,863,000 was presented in equity as convertible notes reserve.

The Hong Kong dollar equivalent of the principal amount of the 2021 Convertible Notes, LA Convertible Notes and 2025 Convertible Notes being converted shall be calculated by using the fixed exchange rate of HK$7.76 per US$1.00.

The movements of the liability component of the 2021 Convertible Notes, LA Convertible Notes and 2025 Convertible Notes for the year are set out below:

	2021 Convertible Notes	**LA Convertible Notes**	**2025 Convertible Notes**	**Total**
	US$'000	US$'000	US$'000	US$'000
At 1 January 2017	17,508	3,204	–	20,712
Effective interest expenses	1,779	180	–	1,959
Redeemed	(3,142)	(3,384)	–	(6,526)
At 31 December 2017 and 1 January 2018	16,145	–	–	16,145
Fair value on issue	–	–	44,137	44,137
Effective interest expenses	1,093	–	3,006	4,099
Redeemed	(12,713)	–	–	(12,713)
At 31 December 2018	4,525	–	47,143	51,668

27. SHARE CAPITAL

	Number of ordinary shares of HK$0.01 each	Nominal value HK$'000	Shown as US$'000
Authorised:			
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	500,000,000,000	5,000,000	
Issued and fully paid:			
At 1 January 2017	1,875,960,800	18,760	2,419
Issue of new shares by placement (note i)	375,150,000	3,752	481
At 31 December 2017and 1 January 2018	2,251,110,800	22,512	2,900
Issue of new shares by placement (note ii)	834,140,625	8,341	1,066
At 31 December 2018	3,085,251,425	30,853	3,966

Notes:

(i) On 22 June 2017, the Company entered into subscription agreements with subscribers for the subscription of an aggregate 375,150,000 new shares for an aggregate consideration of approximately HK$150,060,000 at the subscription price of HK$0.4 per subscription share. The subscription was completed on 5 July 2017. The proceeds were used to provide general working capital for the Company.

(ii) On 3 April 2018, the Company entered into subscription agreements with subscribers for the subscription of an aggregate 375,000,000 new shares for an aggregate consideration of approximately HK$90,000,000 at the subscription price of HK$0.24 per subscription share. The subscription was completed on 12 April 2018. The proceeds were used to provide general working capital for the Company.

On 11 September 2018, the Company entered into subscription agreements with subscribers for the subscription of an aggregate 459,140,625 new shares for an aggregate consideration of approximately HK$58,770,000 at the subscription price of HK$0.128 per subscription share. The subscription was completed on 24 September 2018. The proceeds were used to provide general working capital for the Company.

These new shares is issued rank pari passu with the existing ordinary shares of the Company in issue in all respects.

28. SHARE OPTION SCHEME

The Share Option Scheme 2005 had expired on 4 July 2015. In view of the expiry of the Share Option Scheme 2005, the directors adopted a new share option scheme, the Share Option Scheme 2015, as a replacement of the Share Option Scheme 2005, which was duly passed at the extraordinary general meeting of the Company held on 18 December 2015. Details of the Share Option Scheme 2015 are set out in the circular of the Company dated 2 December 2015.

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

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

The total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 10% of the shares of the Company in issue on 18 December 2015 (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.

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 for 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 grant of options is made but shall not end 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.

28. SHARE OPTION SCHEME *(Continued)*

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

Details of the share options granted and outstanding under the Share Option Scheme during the year were as follows:

2017

				Number of share options					
	Date of grant	Adjusted exercise price HK$	Exercise period	Outstanding at 1.1.2017	Granted during the year	Adjustment	Exercised during the year	Expired during the year	Outstanding at 31.12.2017
Consultants	7 May 2014	1.11	7 May 2014 to 6 May 2017	1,045,082	–	–	–	(1,045,082)	–
Total consultants				1,045,082	–	–	–	(1,045,082)	–
Total				1,045,082	–	–	–	(1,045,082)	–
Exercisable at the end of the year									–
Weighted average exercise price (HK$)									–

29. OPERATING LEASES

The Group as lessee

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$324,000 (2017: US$374,000) and US$628,000 (2017: US$756,000), 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:

	2018 Office US$'000	2017 Office US$'000
Within one year	**314**	261
In the second to fifth years inclusive	**581**	28
	895	289

29. OPERATING LEASES *(Continued)*

The Group as lessee *(Continued)*

The lease agreement for site premises was signed by NYBB and the third party. The Company would reimburse the rental expenses to NYBB.

Operating lease payments solely represent leases payable by the Group for an office for daily operations. Lease terms are negotiated for a term ranging from one to three years (2017: one to three years) with fixed rentals.

30. COMMITMENTS

	2018	2017
	US$'000	US$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of		
– acquisition of 20% equity in Silkwave Holdings (Note 19)	–	146,000

31. 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 mandatory contribution of HK$1,500 (approximately US$194) effective from 1 June 2014 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$18,000 (2017: US$18,000) represents contributions payable to these schemes by the Group in respect of the current year. As at 31 December 2018 and 2017, no contributions due in respect of the reporting period had not been paid over to the scheme.

32. RELATED PARTY DISCLOSURES

In addition to those disclosed above for the Acquisition and the Disposal with Chi Capital, those related party balances and convertible notes at the end of the reporting period which are set out in notes 25 and 26 respectively, the Group had the following significant transaction with a related party during the year:

Name of related parties	Nature of transactions	2018 US$'000	2017 US$'000
Chi Capital	Rental paid	24	24

During the current year, the Group reimbursed NYBB of US$628,000 (2017: US$782,000) in relation to the rental expenses paid by NYBB on behalf of the Group for certain site premises.

Compensation of key management personnel

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

	2018 US$'000	2017 US$'000
Salaries and other benefits	241	235

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

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flow were, or future cashflows will be classified in the Group's consolidated statement of cash flows from financing activities.

	Convertible notes US$'000
At 1 January 2017	20,712
Effective interest expenses	1,959
Redeemed	(6,526)
At 31 December 2017 and 1 January 2018	16,145
Effective interest expenses	4,099
Issuance	44,137
Redeemed	(12,713)
At 31 December 2018	51,668

34. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

(a) Particulars of the Company's principal subsidiaries as at 31 December 2018 and 2017 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 and voting power held by the Company				Principal activities
				Directly		Indirectly		
				2018	2017	**2018**	2017	
Global Flex Trading Center Limited	Samoa/Taiwan	Ordinary	*US$2,000,000	**100%**	100%	**–**	–	Trading business
Glactic Venture Holdings Limited	British Virgin Islands	Ordinary	US$1	**100%**	100%	**–**	–	Investment holding
Grand Regal Capital Limited	British Virgin Islands	Ordinary	US$1	**–**	–	**100%**	100%	Investment holding
Newell Top Limited	British Virgin Islands	Ordinary	US$50,000	**–**	–	**100%**	100%	Trading business
CMMB International Limited	Hong Kong	Ordinary	HK$10,000	**–**	–	**65%**	65%	Holding of a licensing right
CMMB Vision USA Inc.	US	Ordinary	US$10,000	**51%**	51%	**–**	–	Provision of transmission and broadcasting of TV programs
Chi Vision	US	Ordinary	US$20	**79%**	79%	**–**	–	Provision of transmission and broadcasting of TV programs
Professional Broadcasting Communications Limited	Hong Kong	Ordinary	HK$10	**100%**	100%	**–**	–	Provision of transmission and broadcasting of TV programs
CMMB Satellite Services Limited	Hong Kong	Ordinary	HK$100	**100%**	100%	**–**	–	Provision of satellite services

* The registered capital has not been paid up as at 31 December 2018 and 2017.

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

34. 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 subsidiary 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		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2018	2017	**2018**	2017	**2018**	2017
				US$'000	US$'000	**US$'000**	US$'000
CMMB Vision USA	US	**49%**	49%	**(8)**	115	**11,317**	11,325
Chi Vision	US	**21%**	21%	**(2,049)**	64	**15,510**	17,559
Individually immaterial subsidiaries with non-controlling interests				**–**	–	**(350)**	(350)
				(2,057)	179	**26,477**	28,534

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.

CMMB Vision USA

	2018	2017
	US$'000	US$'000
Current assets	**2,996**	3,062
Non-current assets	**31,942**	34,865
Current liabilities	**(10,168)**	(13,140)
Equity attributable to owners of the Company	**13,453**	13,462
Non-controlling interests	**11,317**	11,325

34. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

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

CMMB Vision USA (Continued)

	2018	2017
	US$'000	US$'000
Revenue	**635**	498
Expenses	**(652)**	(263)
(Loss) profit for the year	**(17)**	235
(Loss) profit and total comprehensive (expense) income attributable to owners of the Company	**(9)**	120
(Loss) profit and total comprehensive (expense) income attributable to non-controlling interests	**(8)**	115
(Loss) profit and total comprehensive (expense) income for the year	**(17)**	235

There were no cash transactions during the years ended 31 December 2018 and 2017.

Chi Vision

	2018	2017
	US$'000	US$'000
Current assets	**7,487**	591
Non-current assets	**73,698**	84,673
Current liabilities	**(7,324)**	(1,646)
Equity attributable to owners of the Company	**58,351**	66,059
Non-controlling interests	**15,510**	17,559

34. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

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

Chi Vision *(Continued)*

	2018 US$'000	2017 US$'000
Revenue	**3,004**	3,003
Expenses	**(12,761)**	(2,698)
(Loss) profit for the year	**(9,757)**	305
(Loss) profit and total comprehensive (expense) income attributable to owners of the Company	**(7,708)**	241
(Loss) profit and total comprehensive (expense) income attributable to non-controlling interests	**(2,049)**	64
(Loss) profit and total comprehensive (expense) income for the year	**(9,757)**	305

There were no cash transactions during the years ended 31 December 2018 and 2017.

35. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2018 US$'000	2017 US$'000
NON-CURRENT ASSETS		
Property, plant and equipment	**175**	277
Investments in subsidiaries	**81,719**	83,582
Investment in an associate	**232,981**	–
Financial assets at fair value through profit or loss	**1,650**	–
Amounts due from subsidiaries	**–**	7,876
Deposits for the acquisition of assets	**–**	91,000
	316,525	182,735
CURRENT ASSETS		
Amount due from a related company	**4,283**	7,743
Amount due from an associate	**64**	–
Other receivables, deposits and prepayment	**94**	1,827
Bank balances and cash	**1,911**	734
	6,352	10,304
CURRENT LIABILITIES		
Other payables	**4,863**	507
Provision for financial guarantee liability	**–**	1,499
	4,863	2,006
NET CURRENT ASSETS	**1,489**	8,298
TOTAL ASSETS LESS CURRENT LIABILITIES	**318,014**	191,033
NON-CURRENT LIABILITIES		
Amounts due to subsidiaries	**7,149**	3,704
Convertible notes	**51,668**	16,145
	58,817	19,849
	259,197	171,184
CAPITAL AND RESERVES		
Share capital	**3,966**	2,900
Reserves	**255,231**	168,284
TOTAL EQUITY	**259,197**	171,184

The statement of financial position was approved by the Board of Directors on 28 March 2019 and is signed on its behalf by:

DIRECTOR *DIRECTOR*

35. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(Continued)*

	Share Premium US$'000	Merger reserve US$'000	Distributable reserve US$'000	Share Option reserve US$'000	Capital reserve US$'000	Convertible note reserve US$'000	Accumulated losses US$'000	Total US$'000
At 1 January 2017	199	31,987	129,757	65	2,105	15,999	(19,012)	161,100
Loss for the year and total comprehensive expense for the year	–	–	–	–	–	–	(6,719)	(6,719)
Issue of shares by placement	18,758	–	–	–	–	–	–	18,758
Lapse of share options	–	–	–	(65)	–	–	65	–
Release upon redemption of convertible notes	–	–	–	–	–	(4,855)	–	(4,855)
At 31 December 2017 and 1 January 2018	18,957	31,987	129,757	–	2,105	11,144	(25,666)	168,284
Profit for the year and total comprehensive income for the year	–	–	–	–	–	–	25,453	25,453
Issue of shares by placement	17,968	–	–	–	–	–	–	17,968
Recognition of equity component of convertible notes	–	–	–	–	–	51,863	–	51,863
Release upon redemption of convertible notes	–	–	–	–	–	(8,337)	–	(8,337)
At 31 December 2018	36,925	31,987	129,757	–	2,105	54,670	(213)	255,231