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 RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

RESULT HIGHLIGHTS

	2018	2017	Change
	US$'000	*US$'000*	*US$'000*
Revenue	**6,470**	7,034	(564)
Gross profit	**2,455**	2,730	(275)
Profit (loss) for the year attributable to owners of the Company	**24,808**	(6,622)	31,430
Total assets	**345,732**	220,545	125,187
Total liabilities	**59,899**	19,901	39,998
Net assets	**285,833**	200,644	85,189

FINANCIAL RESULTS

The board (the "Board") of directors (the "Directors") of CMMB Vision Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018, together with the comparative figures for the year of 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

		2018	2017
	NOTES	***US$'000***	*US$'000*
Revenue	*3*	**6,470**	7,034
Cost of sales		**(4,015)**	(4,304)
Gross profit		**2,455**	2,730
Other income		**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	*4*	**(4,102)**	(1,960)
Gain on redemption of convertible notes		**3,428**	1,257
Gain on disposal of assets classified as held for sale	*8*	**42,829**	–
Share of results of an associate	*8*	**(5,369)**	–
Impairment loss recognised on intangible assets		**(9,091)**	–
Profit (loss) before tax		**22,751**	(6,256)
Income tax expense	*5*	**–**	(187)
Profit (loss) for the year	*6*	**22,751**	(6,443)
Other comprehensive income (expense)			
Item 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		**22,629**	(6,648)

	NOTE	**2018** ***US$'000***	2017 *US$'000*
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	*7*		
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		**562**	698
Intangible assets		**97,497**	106,588
Interest in an associate	*8*	**232,981**	–
Financial asset at fair value through profit or loss		**1,650**	–
Deposits for the acquisition of assets		**–**	94,000
		332,690	201,286
CURRENT ASSETS			
Trade and other receivables	*9*	**1,487**	3,780
Amount due from a related company		**9,131**	7,127
Amount due from an associate		**64**	–
Bank balances and cash		**2,360**	1,181
		13,042	12,088
Assets classified as held for sale		**–**	7,171
		13,042	19,259
CURRENT LIABILITIES			
Trade and other payables	*10*	**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		**51,668**	16,145
NET ASSETS		**285,833**	200,644
CAPITAL AND RESERVES			
Share capital	*11*	**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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL

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")

New and Amendments to HKFRSs that are mandatorily effective for the current year

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
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The application of the new and amendments to HKFRSs and the interpretation in the current year has had no material effect on the amounts reported and/or on disclosures set out in these consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Information is reported to the Company's executive directors, being the chief operating decision maker, for the purposes of resources allocation and assessment of segment performance with focus 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 reportable and operating segments:

For the year ended 31 December 2018

	CMMB business *US$'000*	**Trading business** *US$'000*	**Total** *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**

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)

At 31 December

	2018	2017
	US$'000	*US$'000*
Segment assets		
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

	2018	2017
	US$'000	*US$'000*
Segment liabilities		
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

Revenue from major products and services

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

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

Other segment information

	CMMB business	**Trading business**	**Total**
	US$'000	*US$'000*	*US$'000*
Amounts included in the measure of segment profit or loss:			
Year ended 31 December 2018			
Depreciation	228	–	228
Effective interest expense on convertible notes	4,099	–	4,099
Gain on redemption of convertible notes	(3,428)	–	(3,428)
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	2017
	US$'000	*US$'000*
US	**3,639**	3,501
Taiwan	**2,831**	3,533
	6,470	7,034

4. FINANCE COSTS

	2018	2017
	US$'000	*US$'000*
Effective interest expense on convertible notes	**4,099**	1,959
Interest expense on bank overdraft	**3**	1
	4,102	1,960

5. 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.

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.

6. PROFIT (LOSS) FOR THE YEAR

	2018	2017
	US$'000	*US$'000*
Profit (loss) for the year has been arrived at after charging (crediting) the following items:		
Staff costs, including directors' remuneration:		
– Directors' remuneration	**241**	235
– Salaries and allowances	**1,173**	886
– Retirement benefits 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
Impairment loss recognised on intangible assets	**9,091**	–
Gain on disposal of assets classified as held for sale	**(42,829)**	–

7. 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	2017
	US$'000	*US$'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 diluted earnings (loss) per share	**25,479**	(7,095)

	2018	2017
Number of shares		
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 diluted 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.

8. INTEREST IN AN ASSOCIATE

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.

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 31 December 2018, the fair value of Call Option was US$1,650,000.

Gain on disposal of assets classified as held for sale:

	US$'000
Fair value of 49% equity interest in Global Vision	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

As at the date of Completion, all of the conditions precedent to the sale and purchase agreement date 31 October 2016 ("Agreement") have be satisfied except for condition (iv) the relevant broadcasting licences and uplink permit or equivalent approval issued by the relevant authority in China has not yet obtained. To avoid disruption of the business plan, the Company has waived this condition precedent (iv). As at the date of this announcement, the relevant broadcasting licenses, permits and/or approvals have not yet 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.

At the end of the reporting period

	2018	2017
	US$'000	*US$'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 incorporation /operation**	**Paid-up registered capital**	**Proportion of equity interest held by the Group**		**Principal activity**
			Direct	**Indirect**	
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

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.

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

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

10. TRADE AND OTHER PAYABLES

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

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

11. SHARE CAPITAL

	Number of ordinary shares of HK$0.01 each	**Nominal value**	**Shown in**
		HK$'000	*US$'000*
Authorised:			
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 2017 and 1 January 2018	2,251,110,800	22,512	2,900
Issue of new shares by placements *(note ii)*	834,140,625	8,341	1,066
At 31 December 2018	3,085,251,425	30,853	3,966

(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.

MANAGEMENT DISCUSSION AND ANALYSIS FINANCIAL REVIEW

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") materials.

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 wireless spectrum coverage for delivering free-to-air digital TV programming to a large audience base with operational efficiency and broader revenue opportunities and positions us well for deploying the next-generation CMMB platform to extend the delivery of new media services extended from the home to mobile 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 to China and other markets around the world.

Our convergent satellite-mobile broadcasting technology has already completed its initial trial testing, which conducted 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 kilometers, 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 for pre-installing our technology into new cars and partner with other academic research and development centers to enhance and promote our technology. Recently, a terrestrial edition of the "XingYun" app and a marine edition of the "WavePlay" app were 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

This is a challenging sector to operate due to high 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.

PROSPECTS

CMMB business

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 that 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 recognize an impairment to reflect the potential decrease in the Company's TV broadcasting capacity. 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 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, and 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 brings 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.

FINANCIAL REVIEW

For the year ended 31 December 2018, the Group recorded 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 US10.88 cents (2017: US7.6 cents).

During the year ended 31 December 2018, the Group is engaged in 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 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 an 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 year 2017 to US$2,455,000 in year 2018, decreased by 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 services 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 the decrease in research and development costs for the year. Research and development activities are now conducted by Silkwave Holdings.

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 of 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 convertible notes. The Group did not bear 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 the convertible bonds of US$3,428,000 (2017: US$1,257,000) was recorded.

As set out in note 8 of this announcement, 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) 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 and transferred into Silkwave Holdings (the "Disposal"). The Disposal was also completed on 29 May 2018. As a result, the Company recognised the 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 amortization expense, research and development and other operating expenses.

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

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

FINAL DIVIDEND

The Board did not recommend the payment of a 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 derived from the proceeds of 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) and amount due from a related company of US$9,131,000 (2017: US$7,127,000). 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 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.

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 ASSETS

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

OFF-BALANCE SHEET TRANSACTIONS

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

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$7,134,000 at the subscription price of HK$0.108 per subscription share. The subscription was completed on 21 January 2019. The proceeds were used 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. The management of the Group considers that foreign exchange risk does not have significant impact to the Group, therefore, the Group did not make any hedging arrangement for the year ended 31 December 2018.

SEGMENTAL INFORMATION

Details of segmental information of the Group are set out in note 3 to this announcement.

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 as well as mandatory provident fund scheme for employees in Hong Kong. The remuneration policy of the Group is reviewed annually and is in line with the prevailing market practice.

The Group also adopted a share option scheme for the purposes of providing incentives and rewards to eligible participants to recognize their contribution to the Group and enhancing their ownership spirits. During the year, the Company has not granted any share options to Directors, employees and consultants of the Group under the share option scheme of the Company adopted on 18 December 2015.

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.

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.

CODE OF CORPORATE GOVERNANCE

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

The Company has complied with the requirements of the Code Provisions in the CG Code throughout the year ended 31 December 2018 except that the Company has been deviated from the Code Provision A.2.1 of the CG Code, as the roles of Chairman and chief executive officer of the Company were not separate. With effect from 19 May 2008, Mr. Wong Chau Chi ("Mr. Wong") had been re-designated as the Chairman and Mr. Wong also remains as the chief executive officer of the Company. According to the Code Provision A.2.1 of the CG Code, the roles of a chairman and a chief executive officer should be separate and should not be performed by the same individual. Given Mr. Wong has had extensive experience in the business of the Group and has performed satisfactorily since his joining of the Company in 2007, particularly in soliciting for possible new business opportunities and deducing the overall strategic plan for the future development of the Company, the Board considers that it would be beneficial to 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.

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.

AUDIT COMMITTEE

The Audit Committee currently comprises Mr. Li Shan and Dr. Li Jun, being independent non-executive Directors and Mr. Chou Tsan-Hsiung, a non-executive Director. Currently, Mr. Li Shan is the chairman of the Audit Committee.

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.

SCOPE OF WORK OF HLM CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the Preliminary Announcement have been agreed by the Group's auditor, HLM CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year.

The work performed by HLM CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLM CPA Limited on the Preliminary Announcement.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Group is committed to create two-way channels of communication between senior management and investors, maintaining close relationships with all its shareholders through a variety of channels and promoting understanding and communication between investors and us. The Company has adopted a shareholders' communication policy to formalise and facilitate an effective and healthy communication between the Company and the shareholders and other stakeholders. The main communication channels with the shareholders include investors' meetings, annual general meeting, annual reports, interim reports, announcements and circulars, constitutional documents and the Group's website.

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 (tel: +852 2159 3300; e-mail: co.sec@cmmbvision.com).

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual results announcement is available for viewing on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the website of the Company (www.irasia.com/listco/hk/cmmbvision/). The annual report of the Company for the year ended 31 December 2018 will be despatched to shareholders of the Company and will be published on the same websites in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the eligibility of shareholders to attend the Annual General Meeting, which is to 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 no later than 4:30 p.m. on 23 May 2019.

APPRECIATION

The Group would like to express its appreciation to all of its staff for their outstanding contribution towards the Group's development. The Board wishes to sincerely thank the management for their dedication and diligence, and they are the key factors in the Group's continual success in the future. Also, the Group wishes to extend its gratitude to the continuous support from its shareholders, customers, and business partners. The Group will continue to deliver sustainable business development, so as to meet its business objectives for 2019 and realise higher values for its shareholders and other stakeholders.

By order of the Board
CMMB Vision Holdings Limited
Wong Chau Chi
Chairman

Hong Kong, 28 March 2019

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. WONG Chau Chi and Dr. LIU Hui; two non-executive Directors, namely Mr. CHOU Tsan-Hsiung and Mr. YANG Yi; and three independent non-executive Directors, namely Mr. WANG Wei-Lin, Mr. LI Shan and Dr. LI Jun.