



CMMB
VISION

CMMB VISION HOLDINGS LIMITED
中國移動多媒體廣播控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 471)



Corporate Information	2
Chairman's Statement	3
Management Discussion and Analysis	5
Biographies of Directors and Senior Management	10
Corporate Governance Report	14
Report of the Directors	22
Independent Auditor's Report	28
Consolidated Statement of Profit or Loss and Other Comprehensive Income	30
Consolidated Statement of Financial Position	31
Consolidated Statement of Changes in Equity	33
Consolidated Statement of Cash Flows	34
Notes to the Consolidated Financial Statements	36
Financial Summary	106

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. WONG Chau Chi (*Chairman*)

Dr. LIU Hui (*Vice-chairman*)

Non-executive Directors

Mr. CHOU Tsan-Hsiung

Mr. YANG Yi

Independent Non-executive Directors

Mr. WANG Wei-Lin

Mr. LI Shan

Dr. LI Jun

MEMBERS OF AUDIT COMMITTEE

Mr. LI Shan (*Chairman*)

Mr. CHOU Tsan-Hsiung

Dr. LI Jun

MEMBERS OF REMUNERATION COMMITTEE

Mr. WANG Wei-Lin (*Chairman*)

Mr. CHOU Tsan-Hsiung

Mr. LI Shan

Dr. LI Jun

COMPANY SECRETARY

Ms. CHAN Pui Yee Janice

AUTHORISED REPRESENTATIVES

Mr. WONG Chau Chi

Ms. CHAN Pui Yee Janice

AUDITOR

HLM CPA Limited

LEGAL ADVISOR AS TO HONG KONG LAW

Orrick, Herrington & Sutcliffe

PRINCIPAL BANKER

The Hongkong and Shanghai Banking
Corporation Limited

REGISTERED OFFICE

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

PRINCIPAL OFFICE IN HONG KONG

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Hong Kong
Tel: +852 2159 3300
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Email: info@cmmbvvision.com
Website: www.cmmbvvision.com

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

Stock Code: 471

Dear Shareholders:

The Company has transcended its competences accumulated throughout the years and finally took shape as a leading next-generation mobile multimedia service provider, which is potentially market disruptive to providing mobile Internet and entertainment services in the coming Internet era.

The Company has completed the acquisition of seven UHF spectrum television (“TV”) stations in seven top cities in the United States of American (“USA”), which expanded the Company’s portfolio to a total of 12 TV stations in addition to the New York market. The portfolio gives the Company an unique wireless spectrum network to not only deliver free-to-air digital TV programming to a much larger audience coverage with operating efficiencies and revenue opportunities, but also well-position it to deploy a next-generation mobile broadcasting service platform for new media services extended from home to mobile users and vehicles.

The past year also saw the Company taking great strides in the developing next generation China Mobile Multimedia Broadcasting (“CMMB”) technology, the Next Generation Mobile Broadcasting – Wireless (NGB-W), which can converge with other mobile technologies such as 3G and LTE and WiFi to create the groundbreaking interactive mobile broadcasting system.

The Company has also expand into the realm of satellites, reaching a Memorandum of Understanding with New York Broadband II, LLC to acquire an ubiquitous pan-Asia satellite network the “AsiaStar” which has 40 MHz L-band spectrum covering Asia, including China, South East Asia and India, which the Company intends to develop into a regional satellite-based CMMB mobile multimedia and data delivery platform with universal connectivity. Currently it is planning to develop services in China first, taking advantage of its market momentum and low-cost ecosystem to quickly reach commercial scalability and then expand to the rest of Asia and eventually globally.

As part of its satellite initiatives, the Company had been exploring a joint-venture partnership with Global Broadcasting Media Group, a subsidiary of China Radio International under the State Administration of Radio, Film and Television 國家廣播電視總局, to develop and operate a satellite-based platform in China to provide mobile multimedia video, voice and data as well as other new generation digital media and information services. The joint-venture agreement was finally signed and announced on 29 January 2016.

Furthermore, the Company also formed a research partnership with Shanghai Jiaotong University to develop China’s first satellite-based mobile multimedia technology standard to make way for AsiaStar’s adoption by China and support by its ecosystem, so that satellite multimedia reception can one day be a standard feature for future consumer mobile devices and hence will help propagate satellite multimedia services to consumers throughout China and later globally.

Chairman's Statement

The world has gone viral for mobile services in 2015. The explosions for digital entertainment, social media, and smart mobile devices have set off a perfect storm that moves every facet of daily life to be connected to the mobile and wireless space. Applications ranging from online mobile entertainment, e-commercial, mass-market advertising, environmental monitoring, public safety and national disaster alerts have all out-grown their traditional delivery platform and are searching for a much more ubiquitous mobile and wireless platform for data and information dissemination anytime anywhere, which is deemed indispensable for the future. The answer to the challenge is to develop a unified mobile platform above and beyond what our current fixed and cellular network can offer. The answer lies in the idea of “holistic network” delivery infrastructure that is broadcast – unicast convergent and satellite-terrestrial integrated. This validates the Company's long-term dedication to mobile multimedia and its vertically integrated development efforts.

In addition, the Group is in negotiation with the largest private-owned telecom value-added and broadband service operator in China, to lease its UHF TV network spectrum in all its US markets for providing integrated broadcast TV and IPTV multimedia services and expect to consummate in second half of this year. It is a testimony to the Company's spectrum network development in the USA and its broader strategy of providing multimedia services to global audiences. Under the impetus of China's recent “One-Belt-One-Road” international development strategy, China's media, culture, and information industries will develop globally in large-scale, promoting win-win cultural and economic exchanges with countries around the world. As a next generation mobile multimedia service provider, the Company's strategy is to combine its groundbreaking mobile technologies with ubiquitous satellite and terrestrial networks to provide low-cost, high-quality, and abundant multimedia and data services to mobile users anytime anywhere while creating a multimedia consumption and e-Commerce platform of the new Internet era. Its wireless UHF TV network developed across the USA, as well as its planned acquisition of the L-band AsiaStar mobile satellite which covers China, Asia, and India will greatly complement the “One-Belt-One-Road” initiatives, allowing the Company to provide unprecedented modern Internet, information, and multimedia services to the diverse consumers in these regions while capturing the vast markets.

The Company looks forward to 2016 as a year of many breakthroughs, in which it expects to complete and expand its satellite network acquisition, multiply broadcasting operations, commence mobile multimedia services in the USA and China, and expand into other regional markets.

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

For and on behalf of the Board

Wong Chau Chi
Chairman

Hong Kong, 29 March 2016

Management Discussion and Analysis

BUSINESS/OPERATION REVIEW

The principal activity of the Company is investment holdings whilst its subsidiaries are mainly engaged in provision of China Mobile Multimedia Broadcasting (“CMMB”) services and trading of printed circuit board materials.

After restructuring and reorganization from previous manufacturing and sale of rigid printed circuit boards and rigid printed circuit board assembly in 2011, the Company started its business in provision of CMMB services. The Company is a leading next generation mobile multimedia network and service provider which is potentially market disruptive to providing mobile internet and entertainment services in the coming internet era.

The Company has completed the acquisition of seven UHF spectrum television (“TV”) stations in seven top cities in the US, including Los Angeles, San Francisco, Dallas, Houston, Atlanta, Miami, and Tampa which expanded the Company’s portfolio to a total of 12 TV stations in addition to the New York market. The portfolio gives the Company an unique wireless spectrum network to not only deliver free-to-air digital TV programming to a much larger audience coverage with operating efficiencies and revenue opportunities, but also well-position it to deploy a next-generation mobile broadcasting service platform for new media services extended from home to mobile users and vehicles.

The Company deploys CMMB/NGB-W mobile digital broadcasting technology which can converge with other mobile technologies such as 3G, LTE and WiFi to create the groundbreaking interactive mobile broadcasting system. It has a wireless UHF TV network over 8 major cities in the US under preparation for potential deployment of the CMMB-LTE network, and is operating a digital broadcasting service in New York.

FINANCIAL REVIEW

For the financial year ended 31 December 2015, the Group recorded loss for the year of approximately US\$21,731,000, which includes loss for the year attributable to owners of the Company and non-controlling interests amounted to approximately US\$21,405,000 and US\$326,000 respectively. Loss per share was approximately US0.46 cents (2014: US0.09 cents) and net assets per share of the Group was approximately US1.6 cents (2014: US1.43 cents).

During the year ended 31 December 2015, the Group is engaged in provision of transmission and broadcasting of television programs (“CMMB Business”) and trading of printed circuit board materials (“Trading Business”) with revenue of approximately US\$8,669,000 (2014: US\$5,810,000). The increase in revenue of approximately US\$2,859,000 or 49% was solely contributed by the Trading Business.

Cost of sales mainly includes cost of goods sold, staff costs and operating lease payments. The increase in cost of sales of approximately US\$2,731,000 or 50% was due to the increase in cost of goods sold, of approximately US\$2,642,000 and increase in operating lease payments of approximately US\$129,000 for the year ended 31 December 2015.

Management Discussion and Analysis

Gross profit has increased from approximately US\$330,000 in year 2014 to approximately US\$457,000 in year 2015, increased by 39% which was arisen from the increase of revenue from both CMMB Business and Trading Business.

Administrative expenses for the year ended 31 December 2015 increased by 72% to approximately US\$1,973,000 as compared to that of approximately US\$1,150,000 for the year ended 31 December 2014 which was mainly due to the increase in staff costs and office rent.

Market development and promotion expenses increased by 16 times to approximately US\$6,274,000 (2014: US\$392,000) which is mainly due to the increase in consultancy services fees for business development and travelling expenses for attending business conferences and meetings.

Other expenses for the year ended 31 December 2015 amounted to approximately US\$701,000 (2014: US\$1,277,000) which mainly represents legal and professional fees of US\$544,000 (2014: US\$510,000) for the placement of new shares and other potential investment and acquisitions and share-based payment expense of nil (2014: US\$601,000).

Elimination upon redemption of convertible notes for the year ended 31 December 2015 amounted to approximately US\$1,278,000.

The goodwill amounted to approximately US\$11,188,000 represented the difference between the fair value of cash paid and convertible notes issued and the fair value of net assets acquired upon the acquisition of Chi Vision USA Corporation (“Chi Vision”). The management of the Group determined an impairment of such goodwill as the recoverable amount is lower than its carrying amount of the cash generating units arising from the acquisition of Chi Vision. Hence, an impairment on goodwill is recognised immediately.

Finance costs of the Group for the year ended 31 December 2015 amounted to approximately US\$1,697,000 (2014: US\$866,000) which was mainly the effective interest expense on convertible notes.

LIQUIDITY AND FINANCIAL RESOURCES

The total equity of the Group increased to approximately US\$129,485,000 as at 31 December 2015 as compared with US\$64,493,000 in 2014 which was mainly derived from the proceeds from share placing and issue of convertible notes during the year ended 31 December 2015. Current assets amounted to approximately US\$14,238,000 (2014: US\$11,764,000) comprising bank balances and cash of approximately US\$10,412,000 (2014: US\$10,137,000), trade and other receivables of approximately US\$2,495,000 (2014: US\$1,628,000) and amount due from a related company of approximately US\$1,331,000 (2014: Nil). Current liabilities amounted to approximately US\$1,601,000 (2014: US\$9,261,000) representing trade and other payables of approximately US\$1,566,000 (2014: US\$2,068,000), tax payable of US\$35,000 (2014: US\$28,000), amount due to a related company of nil (2014: US\$687,000) and convertible notes of nil (2014: US\$6,478,000).

Management Discussion and Analysis

As at 31 December 2015, the Group's current ratio was 8.9 (2014: 1.3) and the gearing ratio (a ratio of total loans to total assets) was 12.4% (2014: 8.8%). Other than convertible notes, the Group did not have any bank borrowings as at 31 December 2015 (2014: Nil).

During the year ended 31 December 2015, the Company entered into subscription agreements with the subscribers for the subscription of an aggregate 1,732,690,387 new shares of the Company for an aggregate consideration of approximately HK\$336,924,000 (equivalent to approximately US\$43,473,000). The Company also issued 750,000,000 conversion shares pursuant to the conversion of Convertible Notes due 2021 for an aggregate consideration of approximately HK\$75,000,000 (equivalent to approximately US\$9,665,000). The proceeds were used to provide general working capital for operation and business development of the Group.

FOREIGN CURRENCY EXCHANGE RISK

Most of the Group's assets, liabilities and transactions are denominated in US\$. The Group did not make any other hedging arrangement in the two years ended 31 December 2015.

SEGMENT INFORMATION

As at 31 December 2015, detail segment information of the Group is set out in note 8 to the consolidated financial statements in this annual report.

EMPLOYEE BENEFITS

The average number of employees of the Group for the year ended 31 December 2015 was approximately 40 (2014: 20). The Group's staff costs (including Directors' fees and emoluments) for the year ended 31 December 2015 amounted to approximately US\$1,181,000 (2014: US\$871,000). The remuneration policy of the Group is reviewed annually and is in line with the prevailing market practice. During the year, 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 to the Group.

MATERIAL ACQUISITIONS AND DISPOSALS AND FUTURE PLANS FOR MATERIAL INVESTMENT

Save as disclosed in note 9 to the consolidated financial statements, the Group has completed the acquisition of the 79% equity interest in Chi Vision USA Corporation which holds the user and operating rights over free-to-air UHF spectrum TV stations inclusive of the spectrum usage, broadcasting rights and operating facilities in seven top US metropolitan cities on 22 July 2015, the Group did not have any other material acquisition or disposals of subsidiaries and associated companies for the year ended 31 December 2015.

CHARGE ON ASSETS

As at 31 December 2015, neither the Group nor the Company has pledged its assets to secure its borrowings (2014: Nil).

Management Discussion and Analysis

CONTINGENT LIABILITIES

As at 31 December 2015, the Group has provided a guarantee for an aggregate amount of US\$1,551,000 in respect of an upgrade project undertaken by its equity investment in Taiwan (2014: Nil).

PROSPECTS

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

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

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

Management Discussion and Analysis

FUND RAISING EXERCISE OF THE COMPANY DURING THE PAST 12 MONTHS

Set out below is the fund raising activities of the Company during the past twelve months immediately prior to 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 announcement
29 June 2015	Placing of 730,615,382 new Shares under general mandate granted by the Shareholders at the AGM on 21 May 2015	Approximately HK\$189.9 million	General working capital for operation and business development of the Group	<ul style="list-style-type: none">• Administrative and operations: HK\$47.0 million• New business and network development: HK\$97.1 million• Repayment of convertible note of HK\$45.8 million
7 October 2015	Placing of 60,332,830 new Shares under general mandate granted by the Shareholders at the AGM on 21 May 2015	Approximately HK\$7.2 million	General working capital for operation and business development of the Group	<ul style="list-style-type: none">• Administrative and operations: HK\$7.2 million
21 December 2015	Placing of 757,499,997 new Shares under general mandate granted by the Shareholders at the EGM on 18 December 2015	Approximately HK\$90.9 million	General working capital for operation and business development of the Group	<ul style="list-style-type: none">• New business and network development: HK\$30.8 million• Unutilized proceeds held in the Group's bank accounts of HK\$60.1 million

Save as abovementioned, the Company had not conducted any other fund raising exercise in the past 12 months immediately preceding the date of this annual report.

Biographies of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. WONG Chau Chi (“Mr. Wong”), aged 51, was appointed as an executive Director in May 2007. Mr. Wong is currently the chief executive officer of the Group and the Chairman of the Board. Mr. Wong has extensive experiences in finance, technology, and industrial management. He engineered the restructuring and reorganization of Global Flex Holdings Limited, a manufacturing company, into CMMB Vision Holdings Limited, a market leader in the development and operation of state-of-the-art mobile multimedia technologies tailored to the internet age. Mr. Wong is also the founder and managing director of Chi Capital Holdings Ltd, a securities and private equity group. He also worked as the business head for derivatives and securities departments of Goldman Sachs, Citibank, and BNP Paribas, and business and financial management departments of General Electric and McKinsey. Mr. Wong graduated from Pomona College with a BA Degree in Economics and International Relations, as well as a degree in Master in Public Policy (MPP) from the Kennedy School of Government at Harvard University. He was also matriculated by the St. Antony’s College at Oxford University for its political history program. Mr. Wong had not held any position nor directorship in other listed companies in the three preceding years.

Dr. LIU Hui (“Dr. Liu”), aged 47, 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 OFDM technology that underlies LTE, Mobile WIMAX and CMMB. He developed CMMB, which had its inaugural launch at the 2008 Beijing Olympics and is now being used in 330 cities in the PRC. As an international renowned telecomm expert, he is also one of the original designers of TD-SCDMA (China’s self-developed 3G standard) and a pioneer of OFDMA mobile networks. Dr. Liu holds a BS degree in Electrical Engineering from Fudan University and a PhD degree from University of Texas at Austin. His research interests include broadband wireless networks, array signal processing and applications, and multimedia signal processing. He has received a number of awards, including a Fellow of IEEE (Communications Society), the 1997 National Science Foundation (NSF) CAREER Award, the ONR Young Investigator Award, and the Chinese Gold Prize Patent award for his contributions on TD-SCDMA. Mr. Liu is representing the Company as a key member in the Next Generation Broadcasting – Wireless Working Group in China, which is the comprehensive technology platform for the next generation CMMB and China’s triple network convergence (i.e. internet, broadcasting, telecom) initiative. Dr. Liu had not held any position nor directorship in other listed companies in the three preceding years.

Biographies of Directors and Senior Management

NON-EXECUTIVE DIRECTORS

Mr. CHOU Tsan-Hsiung (“Mr. Chou”), aged 73, was appointed as an independent non-executive Director in June 2005 and was subsequently re-designated as a non-executive Director in September 2005. Mr. Chou graduated with a bachelor degree in Laws from the National Chengchi University and is a member of Taipei Bar Association. Mr. Chou is currently a practicing lawyer in the Best Truth Law Firm in Taiwan. Mr. Chou previously worked in the Legal Affairs Office of the Central Trust of China. Mr. Chou had not held any position nor directorship in other listed companies in the three preceding years.

Mr. YANG Yi (“Mr. Yang”), aged 52, was appointed as a non-executive Director in February 2007. Mr. Yang first graduated from the Beijing University with a Bachelor Degree of Art in International Politics in 1987 and was awarded a scholar of Japanese Education Ministry by the Tokyo University in the same year. In 1991, Mr. Yang was awarded a master degree of Art in Law & Diplomacy by Fletcher School of Law and Diplomacy, jointly administrated by Tufts University and Harvard University. Mr. Yang has about 28 years of experience in finance and human resources management. The major appointments and positions previously assumed by Mr. Yang include a financial analyst at the fixed income division of J.P. Morgan Securities (Tokyo), the vice president of the human capital management of Goldman Sachs LLP (New York), the principal of executive search in the financial industry of Korn/Ferry International (Hong Kong) and a managing director of A.T. Kearney Management Consultancy (Hong Kong). At present, Mr. Yang is the director and founder of G Bridge Limited, Hong Kong based human resources advisory firm. Mr. Yang had not held any position nor directorship in other listed companies in the three preceding years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WANG Wei-Lin (“Mr. Wang”), aged 44, was appointed as an independent non-executive Director in September 2005. Mr. Wang has obtained a degree in Juris Scientiae Doctoris (Doctor of Juridical Science) from the Washington University in St. Louis. Mr. Wang also graduated with a Master of Laws degree from the University of Pennsylvania and a bachelor degree in laws from the National Cheng-Chi University. Mr. Wang is a certified attorney in Taiwan and the New York State of the United States of America. Mr. Wang is also a member of the Taipei Bar Association and American Bar Association. Mr. Wang is currently an Associate Professor of Department of Financial Law in Ming Chuan University (銘傳大學法律學院財金法律學系專任副教授). Mr. Wang currently serves as independent directors of Young Fast Optoelectronics Co., Ltd. (洋華光電股份有限公司), WIN Semiconductors Corp. (穩懋半導體股份有限公司), Capital Securities Corp. (群益期貨股份有限公司) and ANT Precision Industry Co., LTD. (艾恩特精密工業股份有限公司), four companies listed on the Taiwan Stock Exchange Corporation. Save as aforesaid, Mr. Wang had not held any position nor directorship in other listed companies in the three preceding years.

Biographies of Directors and Senior Management

Mr. LI Shan (“Mr. Li”), aged 52, was appointed as a non-executive Director in October 2009 and re-designated to an independent non-executive Director in March 2010. Mr. Li graduated from School of Economics and Management of Tsinghua University with a BS degree in Management Information Systems in 1986, from University of California Davis with a MA degree in Economics in 1988, and from Massachusetts Institute of Technology with a PhD degree in Economics in 1993. After graduation, Mr. Li worked as an International Economist for Goldman Sachs & Co. In 1995, He became an Executive Director of Investment Research Department of Goldman Sachs (Asia), Executive Director for Investment Banking in Goldman Sachs International in London in 1997. From 1999 to 2001, Mr. Li was a Managing Director and the Head of China Investment Banking at Lehman Brothers. During 2001-2005, Mr. Li was the Chief Executive Officer for Bank of China International Holdings (“BOCI”) in Hong Kong. Mr. Li has over 22 years of experience in investment banking and related financial management. At present, Mr. Li is a founding partner and Chief Executive Officer for San Shan (HK) Limited, an investment advisory company based in Hong Kong, Chairman & CEO of Silk Road Finance Corporation Limited, Executive President of the Institute for Governance Studies at Tsinghua University, Director for NYSE listed Soufun.com. Mr. Li was also a Director for Star Cable, and ENN Ecological Holdings Co., Ltd., both are listed on Shanghai Stock Exchange, and Vice-Chairman of UBS Investment Bank, a business division of UBS AG. Save as aforesaid, Mr. Li had not held any position nor directorship in other listed companies in the three preceding years.

Dr. LI Jun (“Dr. Li”), aged 54, was appointed as a non-executive Director in June 2007 and re-designated to an independent non-executive Director in May 2011. Dr. Li obtained a doctorate degree of philosophy in Political Economy from Oxford University in the United Kingdom. He was a senior manager and director of a number of securities and investment companies in Hong Kong and had extensive experience in international financial market. Dr. Li is previously an independent non-executive director of Sun Century Group Limited (Stock code: 1383) until 1 June 2012 and an independent non-executive director of Zhejiang Glass Company, Limited (Stock code: 739) until 31 May 2013. Save as aforesaid, Dr. Li had not held any position nor directorship in other listed companies in the three preceding years.

Biographies of Directors and Senior Management

SENIOR MANAGEMENT

Mr. KLEIN Bert is an Chief Operation Officer of the Group and Managing Director of DishHD Asia Satellite Ltd.

Mr. Klein has been involved in the international satellite industry for more than 20 years since joining EchoStar in 1991. He was involved in the development of EchoStar International, Asian Division. He first served as Sales and Marketing Manager, responsible for the growth of the business throughout Asia and the Middle East and subsequently served as the Managing Director of the Asian Division and led the further expansion of the business in Asia and the opening of sales and services offices in several countries across the region.

In 1998, Mr. Klein served as Vice President of Sales for WorldSpace Corporation and was one of the management leaders responsible for the launch of the world's first commercial satellite radio platform and lead the initial sales and marketing drives throughout Africa and the Middle East.

Mr. Klein re-joined EchoStar in 2006 to focus on expanding EchoStar's satellite technology into international markets and developing digital media platforms that leverage EchoStar's technological and marketing expertise. Mr. Klein was responsible for launching DishHD Asia Satellite television platform, the leading premium high-definition satellite television service in Asia. Today this service is continuing to build its service offering with new and innovative digital delivery technology, and new and better customer service offerings to continue to deliver the finest entertainment offerings to our customers.

Mr. Klein holds a Bachelor of Sciences degree from Seattle Pacific University in Seattle Washington.

Ms. LI Qun 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 chief operating officer of TiMi Technologies Co., Ltd, the Academy of Broadcasting Science, SARFT. She holds a Bachelor Degree of Sciences from Shanghai Jiao tong University and Master Degree of Sciences from Tsinghua University.

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

Ms. CHAN Pui Yee Janice is a Finance Director of the Group. Ms. Chan holds a Bachelor Degree of Business Administration with major in professional accountancy from The Chinese University of Hong Kong. She is a fellow member of the Association of Chartered Certified Accountants and also member of the Hong Kong Institute of Certified Public Accountants. Ms. Chan has over 18 years of experience in accounting, auditing and financial management. Prior to joining the Company, Ms. Chan served as an audit director of Deloitte Touche Tohmatsu in Hong Kong.

Corporate Governance Report

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

The Board considers that good corporate governance of the Company is central to safeguarding the interests of the Shareholders and enhancing the performance of the Group. The Board is committed to maintaining and ensuring high standards of corporate governance. The Company has applied the principles and complied with all the applicable Code Provisions of the CG Code throughout the year ended 31 December 2015 except that the Company has been deviated from the Code Provision A.2.1 of the CG Code, as the roles of Chairman and chief executive officer of the Company were not separate. With effect on 19 May 2008, Mr. WONG Chau Chi (“Mr. Wong”) had been re-designated as the Chairman and Mr. Wong also remains as the chief executive officer of the Company. According to the Code Provision A.2.1 of the CG Code, the roles of a chairman and a chief executive officer should be separate and should not be performed by the same individual. Given Mr. Wong has had extensive experience in the business of the Group and has performed satisfactorily since his joining of the Company in 2007, particularly in soliciting for possible new business opportunities and deducing the overall strategic plan for the future development of the Company, the Board considers that it would be beneficial of the Group if Mr. Wong is also in charge of overseeing the Company’s operations as the Chairman. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group. The Board will regularly review the effectiveness of this arrangement.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a revised code of conduct regarding the Directors’ securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules. All the Directors confirmed, following specific enquiry by the Company, that they have fully complied with the required standard as set out in the Model Code and the code of conduct throughout the year ended 31 December 2015.

BOARD OF DIRECTORS

Composition and role

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

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

As at 31 December 2015, the Board comprised two executive Directors (also the Chairman and Vice-chairman of the Company) and five non-executive Directors. Of the five non-executive Directors, three of them are independent non-executive Directors which represent 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. With a wide range of expertise and a balance of skills, the non-executive Directors bring independent judgment on issues of strategic direction, development, performance and risk management through their contribution at Board meetings and committee works.

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

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

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

Corporate Governance Report

Board Meetings and Procedures

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

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

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

Name of Director	Number of Board meeting attended	Attendance rate
Wong Chau Chi (<i>Chairman</i>)	13/13	100%
Liu Hui (<i>Vice-chairman</i>)	12/13	92%
Chou Tsan-Hsiung	10/13	77%
Yang Yi	0/13	0%
Wang Wei-Lin	10/13	77%
Li Shan	10/13	77%
Li Jun	10/13	77%

Chairman and Chief Executive Officer

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

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

AUDIT COMMITTEE

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

Mr. LI Shan (*Chairman of the Audit Committee*)

Mr. CHOU Tsan-Hsiung

Dr. LI Jun

The majority of the Audit Committee members are independent non-executive Directors. The Board considers that each Audit Committee member has broad commercial experience and there is a suitable mix of expertise in business, accounting and financial management in the Audit Committee. The composition and members of the Audit Committee comply with the requirements under the Rule 3.21 of the Listing Rules as at 31 December 2015. The Audit Committee is responsible for assisting the Board in safeguarding the Group’s assets by providing an independent review of the effectiveness of the financial reporting process and the internal controls and risk management systems of the Group. The Audit Committee also oversees the audit process and performs other duties as assigned by the Board.

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

The Audit Committee together with the management has reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, and has reviewed the consolidated financial statements for the year ended 31 December 2015.

Corporate Governance Report

During the year ended 31 December 2015, three Audit Committee meetings were held and the individual attendance of each member is set out below:

Name of Director	Number of committee meetings attended	Attendance rate
Mr. LI Shan	3/3	100%
Mr. CHOU Tsan-Hsiung	3/3	100%
Dr. LI Jun	3/3	100%

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

REMUNERATION COMMITTEE

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

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

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

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

Corporate Governance Report

The Remuneration Committee meets regularly to determine the policy for the remuneration of the Directors and assesses performance of the executive Directors and certain senior management of the Group. During the year ended 31 December 2015, one Remuneration Committee meeting was held, the individual attendance of each member is set out below:

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

NOMINATION OF DIRECTORS

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

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

During the year 2015, no any Board meeting was held in relation to the nomination of Director.

Corporate Governance Report

AUDITOR'S REMUNERATION

An analysis of the remuneration in respect of audit services provided by the auditor to the Group for the year ended 31 December 2015 is summarised as below:

Services	Remuneration (US\$)
Audit services	<u>154,206</u>

INTERNAL CONTROLS

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

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

COMPANY SECRETARY

Ms. Chan Pui Yee Janice, Finance Director of the Company, has been appointed by the Company as the company secretary. She is also the authorised representative of the Company. During the year ended 31 December 2015, Ms. Chan has taken more than 40 hours of relevant professional trainings to update her skills and knowledge.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation of the consolidated financial statements for each financial period which gives a true and fair view of the state of affairs of the Group and of its results and cash flows for that period. In preparing the consolidated financial statements for the year ended 31 December 2015, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent, fair and reasonable; and prepared the consolidated financial statements on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and which enable the preparation of the consolidated financial statements in accordance with the Hong Kong Companies Ordinance.

Corporate Governance Report

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 2015.

INVESTOR RELATIONSHIP AND COMMUNICATION

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

For and on behalf of the Board

WONG Chau Chi

Chairman

Hong Kong, 29 March 2016

Report of the Directors

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 2015.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its subsidiaries are set out in note 36 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income.

The Directors did not recommend payment of any dividend to the Shareholders for the year ended 31 December 2015.

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 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 3 to 4 and pages 5 to 9 of the annual report respectively. The financial risk management objectives and policies of the Group can be found in note 6 to the consolidated financial statements.

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 106 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 18 and 19 to the consolidated financial statements respectively.

SUBSIDIARIES

Details of the Company’s principal subsidiaries at 31 December 2015 are set out in note 36 to the consolidated financial statements.

CONVERTIBLE NOTES

Details of the convertible notes are set out in note 28 to the consolidated financial statements.

SHARE CAPITAL

During the year, an aggregate 2,482,690,387 new Shares were issued, which represents approximately 66% change in existing issued share capital as at 31 December 2014. Details of these and other movements during the year in the share capital of the Company are set out in note 29 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company did not have reserves in aggregate available for distribution to the Shareholders as at 31 December 2015. Under the Companies Law Chapter 22 of the Cayman Islands, the share premium of the Company amounted to approximately US\$81.14 million as at 31 December 2015 is available for distributions to the Shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

DIRECTORS

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

Executive Directors

Mr. WONG Chau Chi (*Chairman*)

Dr. LIU Hui (*Vice-Chairman*)

Non-executive Directors

Mr. CHOU Tsan-Hsiung

Mr. YANG Yi

Independent non-executive Directors

Mr. WANG Wei-Lin

Mr. LI Shan

Dr. LI Jun

In accordance with Article 108(A) of the Articles, at each AGM one third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Accordingly Mr. CHOU Tsan-Hsiung, Mr. WANG Wei-Lin and Dr. LI Jun will retire from the office and, being eligible, offer themselves for re-election at the forthcoming AGM.

DIRECTORS' SERVICE CONTRACTS

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

Report of the Directors

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

As at 31 December 2015, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Ordinary shares

Name of Director	Name of corporation	Capacity/nature of interest	Total number of ordinary shares	Approximate percentage of interest
Mr. WONG Chau Chi	The Company	Interest of controlled corporation (Note)	1,576,891,352	25.22%

Note: These Shares are registered under the name of Chi Capital Holdings Ltd ("Chi Capital"), a company wholly owned by Mr. WONG Chau Chi and he 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 as at 31 December 2015 as required to be recorded in the register maintained by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

The Company operates a share option scheme (the "Scheme") which was adopted on 5 July 2005 and had been expired on 4 July 2015. In view of the expiry of the Scheme, the Directors propose the adoption of a new share option scheme (the "Share Option Scheme 2015"), as a replacement of the Scheme, which was duly passed at the extraordinary general meeting of the Company held on 18 December 2015. During the year ended 31 December 2015, the Company did not grant any share options under the Scheme and the Share Option Scheme 2015 to the Directors, employees and consultants who are engaged to provide investment advisory services for the business development of the Group. Particulars of the Schemes and details of the movements during the year in the share options of the Company are set out in note 30 to the consolidated financial statements.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in note 30 to the consolidated financial statements, at no time during the year was the Company or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2015, 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)	1,446,891,352 (L)	23.14%
Chi Capital Securities Limited	Beneficial owner (Note 2)	130,000,000 (L)	2.08%
Mr. WONG Chau Chi	Interest of controlled Corporation (Note 2)	1,576,891,352 (L)	25.22%

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 and he 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 2015.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is established by the management with reference to the employees' merit, qualifications and competence.

The emoluments of the Directors and the senior management of the Company are decided by the Remuneration Committee, having regard to the Company'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 30 to the consolidated financial statements.

Report of the Directors

PERMITTED INDEMNITY PROVISION

At no time during the year and up to the date of this report, there was permitted indemnity provision being in force for the benefit of any directors of the Company (whether made by the Company or otherwise) or of its associated company (made by the Company).

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the largest and the five largest customers of the Group accounted for approximately 86% and 100% of the Group's turnover respectively.

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

CONNECTED TRANSACTIONS

Neither the Group nor the Company has any connected transactions and/or continuing connected transactions as defined under Chapter 14A of the Listing Rules during the year. The related party transactions disclosed in note 35 to the consolidated financial statements are exempted continuing connected transactions.

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

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

SUFFICIENCY OF PUBLIC FLOAT

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

EVENT AFTER THE REPORTING PERIOD

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

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.

CHANGE OF AUDITOR

The consolidated financial statements for the year ended 31 December 2014 was audited by Messrs. Deloitte Touche Tohmatsu who resigned as auditor of the Company on 18 December 2015. The board of directors has appointed HLM CPA Limited as the new auditor of the Company with effect from 18 December 2015 to fill the vacancy following the resignation of Deloitte Touche Tohmatsu and to hold office until the conclusion of the next annual general meeting of the Company. Save as disclosed above, there were no other changes in auditors of the Company during the past three years.

The consolidated financial statements for the year ended 31 December 2015 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.

On behalf of the Board

Wong Chau Chi

Chairman

Hong Kong, 29 March 2016

Independent Auditor's Report

TO THE SHAREHOLDERS OF CMMB VISION HOLDINGS LIMITED

中國移動多媒體廣播控股有限公司

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of CMMB Vision Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 30 to 105, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLM CPA Limited

Certified Public Accountants

Chan Lap Chi

Practising Certificate number: P04084

Hong Kong, 29 March 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	NOTES	2015 US\$	2014 US\$
Revenue	10	8,668,572	5,810,184
Cost of sales		<u>(8,211,905)</u>	<u>(5,480,516)</u>
Gross profit		456,667	329,668
Interest income		657	115
Administrative expenses		(1,972,897)	(1,150,133)
Market development and promotion expenses		(6,274,365)	(391,741)
Other expenses	13	(701,346)	(1,277,128)
Change in fair value of derivative components of convertible notes	28	–	1,236,203
Elimination of derivative component upon redemption of convertible notes	28	1,278,380	–
Change in fair value of financial assets at fair value through profit or loss	23	118,000	–
Impairment loss recognised on goodwill	22	(11,188,096)	–
Impairment loss recognised on intangible assets	19	(1,685,397)	–
Finance costs	11	<u>(1,696,532)</u>	<u>(865,802)</u>
Loss before tax		(21,664,929)	(2,118,818)
Income tax expense	12	<u>(65,578)</u>	<u>(87,310)</u>
Loss for the year	13	<u>(21,730,507)</u>	<u>(2,206,128)</u>
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
– Exchange realignment		<u>(37,026)</u>	<u>–</u>
Total comprehensive expense for the year		<u>(21,767,533)</u>	<u>(2,206,128)</u>
Loss for the year attributable to:			
– Owners of the Company		(21,404,695)	(1,977,648)
– Non-controlling interests		<u>(325,812)</u>	<u>(228,480)</u>
		<u>(21,730,507)</u>	<u>(2,206,128)</u>
Total comprehensive expense for the year attributable to:			
– Owners of the Company		(21,441,721)	(1,977,648)
– Non-controlling interests		<u>(325,812)</u>	<u>(228,480)</u>
		<u>(21,767,533)</u>	<u>(2,206,128)</u>
Loss per share	17		
Basic		<u>(0.0046)</u>	<u>(0.0009)</u>
Diluted		<u>(0.0046)</u>	<u>(0.0010)</u>

Consolidated Statement of Financial Position

At 31 December 2015

	NOTES	2015 US\$	2014 US\$
NON-CURRENT ASSETS			
Property, plant and equipment	18	752,177	29,638
Intangible assets	19	106,588,449	23,843,846
Deposits for the acquisition of intangible assets	20	26,011,638	38,116,910
Interest in associates	21	–	–
Goodwill	22	–	–
Financial asset at fair value through profit or loss	23	2,118,000	–
		<u>135,470,264</u>	<u>61,990,394</u>
CURRENT ASSETS			
Trade and other receivables	24	2,495,153	1,627,749
Amount due from a related company	27	1,331,269	–
Bank balances and cash	25	10,411,897	10,136,633
		<u>14,238,319</u>	<u>11,764,382</u>
CURRENT LIABILITIES			
Trade and other payables	26	1,566,230	2,067,791
Amount due to a related company	27	–	686,966
Tax payable		34,888	28,310
Convertible notes	28	–	6,478,217
		<u>1,601,118</u>	<u>9,261,284</u>
NET CURRENT ASSETS		<u>12,637,201</u>	<u>2,503,098</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>148,107,465</u>	<u>64,493,492</u>
NON-CURRENT LIABILITIES			
Convertible notes	28	18,622,352	–
		<u>129,485,113</u>	<u>64,493,492</u>

Consolidated Statement of Financial Position

At 31 December 2015

	NOTES	2015 US\$	2014 US\$
CAPITAL AND RESERVES			
Share capital	29	80,673,266	48,651,599
Share premium and reserves		<u>20,988,078</u>	<u>5,314,210</u>
Equity attributable to owners of the Company		101,661,344	53,965,809
Non-controlling interests		<u>27,823,769</u>	<u>10,527,683</u>
TOTAL EQUITY		<u>129,485,113</u>	<u>64,493,492</u>

The consolidated financial statements on pages 30 to 105 were approved and authorised for issue by the Board of directors on 29 March 2016 and are signed on its behalf by:

DIRECTOR

DIRECTOR

Consolidated Statement of Changes In Equity

For the year ended 31 December 2015

	Attributable to owners of the Company											Non-controlling interests	Total
	Share capital	Share premium	Merger reserve	Distributable reserve	Share option reserve	Capital reserve	Convertible note reserve	Exchange reserve	Accumulated losses	Sub-total			
	US\$	US\$	US\$ (note 1)	US\$ (note 2)	US\$	US\$ (note 3)	US\$	US\$	US\$	US\$	US\$	US\$	US\$
At 1 January 2014	11,099,042	58,401,200	31,987,096	18,464,516	1,764,546	2,110,190	-	28,920	(107,118,534)	16,736,976	10,756,163	27,493,139	
Loss for the year and total comprehensive expenses for the year	-	-	-	-	-	-	-	-	(1,977,648)	(1,977,648)	(228,480)	(2,206,128)	
Recognition of equity-settled share-based payment expenses	-	-	-	-	600,879	-	-	-	-	600,879	-	600,879	
Lapse of share options	-	-	-	-	(52,124)	-	-	-	52,124	-	-	-	
Exercise of share options	1,105,230	825,482	-	-	(569,079)	-	-	-	-	1,361,633	-	1,361,633	
Issue of shares (note 29)													
– placement	787,550	1,260,081	-	-	-	-	-	-	-	2,047,631	-	2,047,631	
– rights issue	23,773,185	11,886,592	-	-	-	-	-	-	-	35,659,777	-	35,659,777	
– bonus issue	11,886,592	(11,886,592)	-	-	-	-	-	-	-	-	-	-	
Transaction costs related to issue of shares	-	(463,439)	-	-	-	-	-	-	-	(463,439)	-	(463,439)	
At 31 December 2014 and at 1 January 2015	48,651,599	60,023,324	31,987,096	18,464,516	1,744,222	2,110,190	-	28,920	(109,044,058)	53,965,809	10,527,683	64,493,492	
Loss for the year	-	-	-	-	-	-	-	-	(21,404,695)	(21,404,695)	(325,812)	(21,730,507)	
Exchange realignment	-	-	-	-	-	-	-	(37,026)	-	(37,026)	-	(37,026)	
Total comprehensive expense for the year	-	-	-	-	-	-	-	(37,026)	(21,404,695)	(21,441,721)	(325,812)	(21,767,533)	
Recognition of equity component of convertible notes	-	-	-	-	-	-	20,980,000	-	-	20,980,000	-	20,980,000	
Acquisition of a subsidiary (note 9)	-	-	-	-	-	-	-	-	-	-	17,621,898	17,621,898	
Lapse of share options	-	-	-	-	(1,677,690)	-	-	-	1,677,690	-	-	-	
Issue of shares (note 29)													
– placement	22,356,718	21,116,239	-	-	-	-	-	-	-	43,472,957	-	43,472,957	
– conversion of convertible notes	9,664,949	-	-	-	-	-	(4,980,650)	-	-	4,684,299	-	4,684,299	
At 31 December 2015	80,673,266	81,139,563	31,987,096	18,464,516	66,532	2,110,190	15,999,350	(8,106)	(128,771,063)	101,661,344	27,823,769	129,485,113	

Note:

- 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.
- 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.
- 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 and (ii) deemed capital contribution from a shareholder regarding the non-interest bearing advances.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015 US\$	2014 US\$
OPERATING ACTIVITIES		
Loss for the year	(21,730,507)	(2,206,128)
Adjustments for:		
Impairment loss recognised on intangible assets	1,685,397	–
Finance costs	1,696,532	865,802
Depreciation of property, plant and equipment	47,980	22,247
Change in fair value of derivative components of convertible notes	–	(1,236,203)
Elimination of derivative component upon redemption of convertible notes	(1,278,380)	–
Interest income	(657)	(115)
Equity-settled share-based payment expenses	–	600,879
Change in fair value of financial assets at fair value through profit or loss	(118,000)	–
Impairment loss recognised on goodwill	11,188,096	–
Income tax expense	65,578	87,310
	<u>(8,443,961)</u>	<u>(1,866,208)</u>
Operating cash flows before movements in working capital	(8,443,961)	(1,866,208)
Increase in trade and other receivables	(858,404)	(292,706)
Decrease in trade and other payables	(501,561)	(54,176)
	<u>(9,803,926)</u>	<u>(2,213,090)</u>
NET CASH USED IN OPERATING ACTIVITIES		
INVESTING ACTIVITIES		
Consideration paid for the acquisition of a subsidiary	(1,221,804)	–
Deposits paid for the acquisition of intangible assets	(20,852,924)	(27,096,204)
Interest received	657	115
Purchase of financial asset at fair value through profit or loss	(2,000,000)	–
Purchase of property, plant and equipment	(655,732)	–
	<u>(24,729,803)</u>	<u>(27,096,089)</u>
NET CASH USED IN INVESTING ACTIVITIES		
FINANCING ACTIVITIES		
Interest paid	(1,657)	–
Advance from a related company	1,331,269	15,080,000
Proceeds from rights issue	–	35,659,777
Proceeds from issue of shares	43,472,957	2,047,631
Proceeds from exercise of share options	–	1,361,633
Redemption of convertible notes	(5,907,517)	–
Repayment to a related company	(4,048,505)	(15,068,199)
Costs related to shares issued	–	(463,439)
Repayment to a director	–	(48,746)
	<u>34,846,547</u>	<u>38,568,657</u>
NET CASH GENERATED FROM FINANCING ACTIVITIES		

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015 US\$	2014 US\$
NET INCREASE IN CASH AND CASH EQUIVALENTS	312,818	9,259,478
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	10,136,633	877,155
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<u>(37,554)</u>	<u>–</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	<u>10,411,897</u>	<u>10,136,633</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

1. GENERAL

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

The Company acts as an investment holding company. The Company together with its subsidiaries (collectively the “Group”) are principally engaged in the development and promotion of CMMB-based multimedia and interactive services via proprietary terrestrial infrastructure. In the People’s Republic of China (the “PRC”), the Company has entered into a memorandum of understanding with New York Broadband, LLC (“NYBB”), a related party of which Mr. Wong Chau Chi (“Mr. Wong”), a director and shareholder of the Company, has certain equity interest through Chi Capital Holdings Ltd (“Chi Capital”), to acquire the AsiaStar mobile satellite capacity and assets, which has coverage over the PRC and Asia Pacific Region. In the United States of America (“USA”), 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 USA.

China Mobile Multimedia Broadcasting (“CMMB”) is a digital mobile multimedia technology developed by and currently commercially deployed in the PRC under the State Administration of Radio, Film and Television. It can deliver digital mobile TV and multimedia contents via both terrestrial and satellite networks directly to mobile and wireless devices such as smartphone, tablet, pocket TV, lap-tops, automobile digital receivers and personal media player that are equipped with a CMMB-enabled chipset. Its broadcast oriented delivery 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.

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

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

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

Reclassification of comparative information

Certain comparative financial information has been reclassified to conform to current year’s presentation in the consolidated financial statements.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared on a going concern basis notwithstanding the fact that the Group incurred a loss of approximately US\$21,731,000 during the year ended 31 December 2015. In the opinion of the directors of the Company (the “Directors”), the Group is able to continue as a going concern in the coming year taking into consideration the measures which include, but not limited to, the following:

- (a) During the year ended 31 December 2015, the Company entered into subscription agreements with subscribers for the subscription of an aggregate 1,732,690,387 new shares of the Company for an aggregate consideration of approximately HK\$336,924,000 (equivalent to approximately US\$43,473,000). The proceeds from the shares issues are applied mainly for the development of satellite business and financing the Group’s working capital.
- (b) Subsequent to the year end date, the Group has proposed rights issue on the basis of one rights share for every one existing share at HK\$0.1 per rights share and one bonus share for every one rights share taken up under the rights issue, to raise approximately HK\$625,320,000 (equivalent to US\$80,272,000) before expenses. All the relevant resolutions approving the rights issue and the issue of bonus shares were duly passed at the extraordinary general meeting on 15 March 2016 and the proposed rights issue and bonus shares issue are expected to be completed in April 2016. The Group plans to apply the proceeds from the rights issue for the major capital expenditure for the deployment in China with details as set out in the prospectus of the Company dated 23 March 2016.

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

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

(a) Applications of new and revised HKFRSs

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

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

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

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

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

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

HKFRS 9	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ¹
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ¹

¹ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted

² Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted

³ Effective date yet to be determined by HKICPA

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a ‘fair value through other comprehensive income’ (FVTOCI) measurement category for certain simple debt instruments.

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

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

HKFRS 9 Financial Instruments (Continued)

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities’ credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Except for the potential early recognition of credit losses based on the expected loss model in relation to the Group’s financial assets measured at amortised costs, the Directors anticipate that the application of HKFRS 9 in the future may not have other significant impact on amounts reported in respect of the Group’s financial assets and financial liabilities based on an analysis of the Group’s financial instruments as at 31 December 2015.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

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

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Group is in the process of reviewing the potential impacts on the application of HKFRS 15. It is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Except as described above, the Directors do not anticipate that the application of the other new and revised HKFRSs will have a material effect on the Group’s consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards 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 (“Listing Rules”) and by the Hong Kong Companies Ordinance (“CO”).

The provision of new Hong Kong Companies Ordinance (Cap 622) regarding preparation of accounts and directors’ reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor Co or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of preparation *(Continued)*

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

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

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

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

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

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. 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.

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 that interest were disposed of.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, 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 in accordance with HKAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part 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 a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

Goodwill arising on acquisition of a business is carried at cost as established at the date of acquisition of the business (see the above accounting policy above) less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units (or groups of cash generating units) that is expected to benefit from the synergies of the combination.

A cash-generation unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generation unit to which goodwill has been allocated is tested for impairment before the end of the reporting period. If the recoverable amount of the cash-generation unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment for goodwill is recognised directly in profit and loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generation unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing (Continued)

The Group as lessee (Continued)

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

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

Impairment losses on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

If the recoverable amount of an asset (or a cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

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

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

Foreign currencies

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

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

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

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

Retirement benefit costs

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions

Equity-settled share-based payment transactions

Shares and share options granted to employees of the Group

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight line basis over the vesting period, with a corresponding increase in equity (share option reserve).

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

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

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

Share options granted to consultants

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

Financial instruments

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

Financial assets are classified as financial assets at fair value through profit or loss (“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.

Effective interest method

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

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

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Loans and receivables

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

Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

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.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derivative financial instrument

Derivatives are initially recognised at fair value at the date when the derivative contract is entered into and are subsequently remeasured to their fair values at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments (Continued)

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

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

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

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

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 recognized 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 recognized in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognized in equity will be transferred to retained profits. No gain or loss is recognized in profit or loss upon conversion or expiration of the conversion option.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments (Continued)

Convertible notes contain debt and equity components (Continued)

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 and amount due to a related company) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

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 contract, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Critical judgment in applying accounting policies

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

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 NYBB being the lessor (note 19). The Directors, 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

In determining the effect of supplementary agreement signed between the Group and NYBB, the lessor, since 2013, which provides the option to the Group to renew the lease continuously with NYBB, the Directors assessed the Group's ability and intention to renew the lease and concluded that the lease previously classified as an operating lease becomes a finance lease resulting from the modification of the lease agreement. The spectrum usage rights have legal rights of 5 years. In assessing the useful life of the spectrum usage rights, the Directors are of the view that NYBB has the ability to renew the license right with the authority indefinitely at minimal costs. Therefore, the useful life of spectrum usage rights is regarded as indefinite.

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

Key sources of estimation uncertainty

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

Impairment of intangible assets

During the current year, the management has evaluated the impairment of 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”) only as the fair value less cost to sell with reference to the latest market transaction (“FVLCTS”) which 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 2015, 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 of US\$1,685,397 (2014: nil) was recognised in profit or loss for the year ended 31 December 2015. As at 31 December 2015, the carrying amount of intangible assets were US\$106,588,449 (2014: US\$23,843,846).

Impairment of goodwill

Determining whether goodwill is impaired required an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value. Where the future cash flows are less than expected, a material impairment loss may arise.

As the value in use is lower than its carrying amount, an impairment of US\$11,188,096 (2014: nil) was recognized in profit or loss for the year ended 31 December 2015. Details of the recoverable amount calculation are set out in note 22.

6. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debts, which includes convertible notes disclosed in note 28, net of cash and cash equivalents disclosed in note 25 and equity attributable to owners of the Company, comprising issued share capital, share premium and reserves. The Group relies mainly on the equity financing from the owners of the Company.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

7. FINANCIAL INSTRUMENTS

7a. Categories of financial instruments

	2015	2014
	US\$	US\$
Financial assets		
Financial asset at fair value through profit or loss	2,118,000	–
Loans and receivables (including cash and cash equivalents)	12,930,612	11,732,805
Financial liabilities		
Amortised cost	19,418,295	7,369,825
Derivative financial instruments	–	1,278,924
	<u> </u>	<u> </u>

7b. Financial risk management objectives and policies

The Group's major financial instruments include financial asset at fair value through profit or loss, trade receivables, bank balances, trade payables, amount due from/to a related company, derivative financial instruments and convertible notes. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (represented by currency risk 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, convertible notes and amount due from/to a related company are denominated in foreign currency, which expose the Group to foreign currency risk. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2015	2014	2015	2014
	US\$	US\$	US\$	US\$
Hong Kong dollars	–	5,886,259	10,361,820	9,744,490
Renminbi	–	–	403,034	1,278
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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.

7. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

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

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

(ii) Interest rate risk

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

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

Sensitivity analysis

For the years ended 31 December 2015 and 2014, the Group's cash flow interest rate risk is only related to the impact of prevailing market interest rate change on bank balances which are all short-term in nature. Therefore, any future variations in interest rates will not have a significant impact on the result of the Group. Accordingly, no sensitivity analysis is performed for the years ended 31 December 2015 and 2014.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

7. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk (Continued)

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

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

As at 31 December 2015, the Group has concentration of credit risk as the total trade receivables was due from the Group's three (2014: three) largest customers in the trading business segment. The management is of the view that these trade receivables of the Group have good track records and considers that the trade receivables from these customers are recoverable. In order to minimise the credit risk, management continuously monitors the level of exposure to ensure that follow-up actions and/or corrective actions are taken promptly to lower the risk exposure or to recover overdue balances.

Liquidity risk

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

7. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

Liquidity risk tables

2015

	Weighted average interest rate %	Less than 1 month on or demand US\$	1 to 3 months US\$	3 months to 1 year US\$	1 to 6 years US\$	Total undiscounted cash flows US\$	Carrying amount at 31/12/2015 US\$
Trade payables	-	345,673	434,537	15,733	-	795,943	795,943
Convertible notes (note)	-	-	-	-	33,635,052	33,635,052	18,622,352
		<u>345,673</u>	<u>434,537</u>	<u>15,733</u>	<u>33,635,052</u>	<u>34,430,995</u>	<u>19,418,295</u>

2014

	Weighted average interest rate %	Less than 1 month on or demand US\$	1 to 3 months US\$	3 months to 1 year US\$	1 to 6 years US\$	Total undiscounted cash flows US\$	Carrying amount at 31/12/2014 US\$
Trade payables	-	832,257	596,018	55,291	-	1,483,566	1,483,566
Amount due to a related company	-	686,966	-	-	-	686,966	686,966
Convertible notes (excluding derivative financial instruments) (note)	-	-	-	5,910,000	-	5,910,000	5,199,293
		<u>1,519,223</u>	<u>596,018</u>	<u>5,965,291</u>	<u>-</u>	<u>8,080,532</u>	<u>7,369,825</u>

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

7. FINANCIAL INSTRUMENTS (Continued)

7c. 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 asset is measured at fair value at the end of the 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)
	31/12/2015	31/12/2014			
Financial asset at fair value through profit or loss	US\$2,118,000	–	Level 3	Income approach – in this approach, certain parameters determined by management are input into the income approach to derive the valuation of the financial asset at fair value through profit or loss.	Estimation of weighted average cost of capital
				Certain parameters include:	
				– Weighted average cost of capital	
				– Non-Cash working capital	
				– Terminal growth	

(ii) Reconciliation of Level 3 fair value measurements

Financial asset at fair value through profit or loss

	2015	2014
	US\$	US\$
Consideration paid	2,000,000	–
Change in fair value	118,000	–
At 31 December	2,118,000	–

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

8. SEGMENT INFORMATION

Information reported to the Company's executive directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of services provided.

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

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

1. CMMB business – Provision of transmission and broadcasting of television programs.
2. Trading business – 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 2015

	CMMB business US\$	Trading business US\$	Total US\$
Revenue			
Segment revenue	<u>612,193</u>	<u>8,056,379</u>	<u>8,668,572</u>
Segment (loss)/profit	(2,133,889)	381,602	(1,752,287)
Impairment loss recognised on goodwill	(11,188,096)	–	(11,188,096)
Market development and promotion expenses	(6,274,365)	–	(6,274,365)
Change in fair value of financial asset at fair value through profit or loss	118,000	–	118,000
Interest income			657
Unallocated expenses			<u>(2,634,416)</u>
Loss for the year			<u>(21,730,507)</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

8. SEGMENT INFORMATION (Continued)

For the year ended 31 December 2014

	CMMB business US\$	Trading business US\$	Total US\$
Revenue			
Segment revenue	<u>590,000</u>	<u>5,220,184</u>	<u>5,810,184</u>
Segment profit	246,276	150,879	397,155
Market development and promotion expenses	(391,741)	–	(391,741)
Interest income			115
Unallocated expenses			<u>(2,211,657)</u>
Loss for the year			<u>(2,206,128)</u>

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment profit (loss) represents the profit (loss) from each segment 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

	2015 US\$	2014 US\$
CMMB business	135,829,819	61,966,341
Trading business	<u>1,391,588</u>	<u>1,596,172</u>
Total segment assets	137,221,407	63,562,513
Unallocated		
– Property, plant and equipment	650,130	29,638
– Other receivables	285,207	31,577
– Amount due from a related company	1,331,269	–
– Bank balances and cash	<u>10,220,570</u>	<u>10,131,048</u>
Consolidated assets	<u>149,708,583</u>	<u>73,754,776</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

8. SEGMENT INFORMATION *(Continued)*

Segment liabilities

	2015	2014
	US\$	US\$
CMMB business	18,683,028	6,478,217
Trading business	<u>852,667</u>	<u>1,533,235</u>
Total segment liabilities	19,535,695	8,011,452
Unallocated		
– Accruals	674,599	562,866
– Other payables	13,176	–
– Amount due to a related company	<u>–</u>	<u>686,966</u>
Consolidated liabilities	<u>20,223,470</u>	<u>9,261,284</u>

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 acquisitions of intangible assets, 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 the analysis of the Group's revenue from its major products and services:

	2015	2014
	US\$	US\$
Trading of PCB materials	8,056,379	5,220,184
Transmission and broadcasting of television programs	<u>612,193</u>	<u>590,000</u>
	<u>8,668,572</u>	<u>5,810,184</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

8. SEGMENT INFORMATION (Continued)

Other segment information

	CMMB business US\$	Trading business US\$	Total US\$
Amounts included in the measure of segment profit or loss or segment assets:			
Year ended 31 December 2015			
Depreciation	12,756	–	12,756
Elimination of derivative component upon redemption of convertible notes	(1,278,380)	–	(1,278,380)
Impairment loss recognised on intangible assets	1,685,397	–	1,685,397
Effective interest expense on convertible notes	1,694,875	–	1,694,875
Income tax expense	59,000	6,578	65,578
	<u>59,000</u>	<u>6,578</u>	<u>65,578</u>
Year ended 31 December 2014			
Depreciation	–	2,489	2,489
Change in fair value of derivative components of convertible notes	(1,236,203)	–	(1,236,203)
Effective interest expense on convertible notes	865,802	–	865,802
Income tax expense	59,000	28,310	87,310
	<u>59,000</u>	<u>28,310</u>	<u>87,310</u>

Geographical information

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

8. SEGMENT INFORMATION (Continued)

Geographical information (Continued)

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

	Revenue from external customers	
	2015 US\$	2014 US\$
USA	612,193	590,000
Taiwan	<u>8,056,379</u>	<u>5,220,184</u>
	<u>8,668,572</u>	<u>5,810,184</u>

Information about major customers

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

	2015 US\$	2014 US\$
Customer A	7,481,736 ²	4,507,384 ²
Customer B	N/A ^{1,3}	590,000 ¹
Customer C	<u>N/A^{2,3}</u>	<u>712,800²</u>

¹ Revenue from CMMB business

² Revenue from Trading business

³ The corresponding revenue did not contribute over 10% of the total sales of the Group

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

9. BUSINESS COMBINATION

On 23 May 2014 and 14 October 2014, the Company entered into an agreement and a supplementary agreement respectively with Chi Capital, for the acquisition of 79% interest in Chi Vision USA Corporation (“Chi Vision”), a company established in Delaware, the USA with limited liability at the consideration of US\$77,480,000, which was satisfied by (i) cash payment of US\$34,180,000; (ii) issuance of convertible notes maturing on 21 July 2021 at the initial conversion price of HK\$0.10 with a principal amount of US\$38,000,000 and (iii) issuance of convertible notes maturing on 21 July 2021 at the initial conversion price of HK\$0.473 with a principal amount of US\$5,300,000 (the “Acquisition”). The Acquisition was completed on 22 July 2015.

Chi Vision holds the user and operating rights over free-to-air UHF spectrum TV stations inclusive of the spectrum usage, broadcasting rights and operating facilities in seven top US metropolitan cities which are Los Angeles, San Francisco, Dallas, Houston, Atlanta, Miami and Tampa. The purpose of the Acquisition is to integrate and expand the Company’s existing UHF network in New York with the additional key and strategic cities across the USA so as to create a much larger spectrum network to enable the delivery of free-to-air TV services initially, and next generation CMMB mobile multimedia service eventually, with greater audience coverage, operating efficiencies, and revenue opportunities.

The following table summarizes the fair value consideration paid for Chi Vision, the fair value of assets acquired and liabilities assumed as at 22 July 2015.

	US\$
Consideration transferred:	
Cash	1,221,804
Deposit paid for acquisition in prior years (Note 20)	32,958,196
Convertible notes issued	<u>43,300,000</u>
Total consideration	<u>77,480,000</u>
	US\$
Recognised fair value of identifiable assets acquired and liabilities assumed	
Intangible assets (Note 19)	84,430,000
Property, plant and equipment (Note 18)	114,803
Deposits	9,000
Amount due to a related company	<u>(640,001)</u>
Total identifiable net assets	<u>83,913,802</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

9. BUSINESS COMBINATION (Continued)

US\$

Goodwill arising on acquisition

Consideration transferred	77,480,000
Plus: Non-controlling interest (21% in Chi Vision)	17,621,898
Less: Net asset acquired	<u>(83,913,802)</u>
Goodwill arising on acquisition	<u>11,188,096</u>

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

The management of the Group recognised an impairment loss of US\$11,188,096 as the recoverable amount is lower than the carrying amount of the cash generating unit in relation to goodwill arising on acquisition of Chi Vision.

The non-controlling interests (21%) in Chi Vision recognised at the acquisition date was measured by reference to the share of net asset of the non-controlling interests and amounted to US\$17,621,898.

Acquisition-related costs amounting to approximately US\$123,300 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 in the year ended 31 December 2015 and 2014.

Impact of acquisition on the results of the Group

Had this business combination been effected on 1 January 2015, the revenue of the Group would have been US\$8,709,690, and the loss for the year would have been US\$21,914,755.

The Directors of the Company consider these “pro-forma” numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for the comparison in future periods.

10. REVENUE

Revenue of the Group is analysed as follows:

	2015 US\$	2014 US\$
Trading business	8,056,379	5,220,184
Provision of transmission and broadcasting services	<u>612,193</u>	<u>590,000</u>
	<u>8,668,572</u>	<u>5,810,184</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

11. FINANCE COSTS

	2015 US\$	2014 US\$
Effective interest expense on convertible notes (note 28)	1,694,875	865,802
Bank interest expense	<u>1,657</u>	<u>–</u>
	<u>1,696,532</u>	<u>865,802</u>

12. TAXATION

	2015 US\$	2014 US\$
Current tax:		
Withholding tax on foreign income	59,000	59,000
Taiwan Income Tax	<u>6,578</u>	<u>28,310</u>
	<u>65,578</u>	<u>87,310</u>

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

Hong Kong Profits Tax is calculated at 16.5% for both years. No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit arising in Hong Kong for both years.

Taiwan Income Tax is calculated at a prevailing rate of 17% for both years. Provision for Taiwan Income Tax has been made as the Group has assessable profit arising in Taiwan for both years.

Taxation arising in the USA is calculated at a prevailing rate at 38% for the both years. No provision for Federal Income Tax and State and Local Income Tax has been made as the Group did not have any assessable profit arising in the USA for both years.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

12. TAXATION (Continued)

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

	2015 US\$	2014 US\$
Loss before tax	<u>(21,664,929)</u>	<u>(2,118,818)</u>
Tax at the domestic income tax rate of 38% (2014: 38%)	(8,232,673)	(805,151)
Tax effect of expenses not deductible for tax purpose	6,624,972	520,353
Tax effect of income not taxable for tax purpose	(755,055)	(660,144)
Tax effect of tax losses not recognised	2,435,906	1,043,478
Effect of different tax rates of subsidiaries operating in other jurisdictions	(66,572)	(34,971)
Utilisation of tax losses previous not recognised	–	(41,318)
PRC withholding tax on payment to foreign operation	59,000	59,000
Others	<u>–</u>	<u>6,063</u>
Taxation for the year	<u>65,578</u>	<u>87,310</u>

At the end of both reporting periods, the Group has deductible temporary differences of US\$1,334,185 (2014: US\$1,334,185) relating to impairment loss recognised on an intangible asset recognised in year ended 31 December 2012. 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\$6,410,279 as at 31 December 2015 (2014: US\$4,288,505) 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

13. LOSS FOR THE YEAR

	2015 US\$	2014 US\$
Loss for the year has been arrived at after charging:		
Staff costs, including directors' remuneration		
– Directors' remuneration	175,000	175,000
– Salaries and allowances	987,794	694,171
– Retirement benefit scheme contributions	18,420	1,935
Total staff costs	<u>1,181,214</u>	<u>871,106</u>
Included in other expenses:		
– Exchange loss, net	13,779	27,903
– Equity-settled share-based payment expenses to consultants (note 30)	–	600,878
– Legal and professional fee	544,205	510,312
Auditor's remuneration	154,206	193,548
Depreciation of property, plant and equipment	<u>47,980</u>	<u>22,247</u>

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

(a) Directors' emoluments

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

	Directors							Total 2015 US\$
	Wong Chau Chi US\$	Liu Hui US\$	Chou Tsan Hsiung US\$	Yang Yi US\$	Wang Wei-Lin US\$	Li Shan US\$	Li Jun US\$	
Fees	–	–	–	–	–	–	–	–
Other emoluments								
Salaries and other benefits	–	175,000	–	–	–	–	–	175,000
Contributions to retirement benefits scheme	–	–	–	–	–	–	–	–
Performance related incentive payments	–	–	–	–	–	–	–	–
Equity-settled share-based payment expense	–	–	–	–	–	–	–	–
Total emoluments	<u>–</u>	<u>175,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>175,000</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

	Directors							Total 2014 US\$
	Wong Chau Chi US\$	Liu Hui US\$	Chou Tsan Hsiung US\$	Yang Yi US\$	Wang Wei-Lin US\$	Li Shan US\$	Li Jun US\$	
Fees	-	-	-	-	-	-	-	-
Other emoluments								
Salaries and other benefits	-	175,000	-	-	-	-	-	175,000
Contributions to retirement benefits scheme	-	-	-	-	-	-	-	-
Performance related incentive payments	-	-	-	-	-	-	-	-
Equity-settled share-based payment expense	-	-	-	-	-	-	-	-
Total emoluments	-	175,000	-	-	-	-	-	175,000

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

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

One of the directors waived emoluments of US\$50,000 (2014: US\$50,000) during the year ended 31 December 2015.

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

Except as disclosed in note 35, 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 35, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

15. 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 14 (2014: one director). The emoluments of the remaining four (2014: four) individuals were as follows:

	2015 US\$	2014 US\$
Salaries and other benefits	524,800	296,695
Contributions to retirement benefits scheme	<u>2,322</u>	<u>1,935</u>
	<u>527,122</u>	<u>298,630</u>

Their emoluments were within the following bands:

	2015 No. of employees	2014 No. of employees
Nil to HK\$1,000,000 (equivalent to nil to US\$129,000)	2	3
HK\$1,000,001 to HK\$1,500,000 (equivalent to US\$129,001 to US\$194,000)	2	–
HK\$1,500,001 to HK\$2,000,000 (equivalent to US\$194,001 to US\$258,000)	<u>–</u>	<u>1</u>

During the year ended 2015 and 2014, no emoluments had been paid by the Group to the directors or the five highest-paid individuals referred to note 15 as an inducement to join or upon joining the Group or as a compensation for loss of office.

16. DIVIDENDS

The Directors do not recommend the payment of a dividend for the year ended 31 December 2015 and 2014.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

17. LOSS PER SHARE

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

	2015 US\$	2014 US\$
Loss		
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	(21,404,695)	(1,977,648)
Effect of dilutive potential ordinary shares:		
– Interest on convertible notes	N/A	865,802
– Change in fair value of derivative components of convertible notes	N/A	(1,236,203)
Loss for the year attributable to owners of the Company for the purpose of dilutive loss per share	<u>(21,404,695)</u>	<u>(2,348,049)</u>
	2015	2014
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	4,644,942,581	2,216,470,378
Effect of dilutive potential ordinary shares:		
– Convertible notes	N/A	167,100,715
– Share options	N/A	N/A
Weighted average number of ordinary shares for the purpose of dilutive loss per share	<u>4,644,942,581</u>	<u>2,383,571,093</u>

The computation of the diluted loss per share for the year ended 31 December 2015 does not assume the conversion of the Company's outstanding convertible notes and share options since their exercise would result in a decrease in loss per share.

The computation of the diluted loss per share for the year ended 31 December 2014 did not assume the exercise of the Company's outstanding share options since their exercise would result in a decrease in loss per share.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements US\$	Motor vehicles US\$	TV equipment US\$	Office and other equipment US\$	Total US\$
COST					
At 1 January 2014, 31 December 2014 and 1 January 2015	59,275	24,890	–	33,050	117,215
Additions	521,378	91,895	–	42,459	655,732
Acquisition through business combination (Note 9)	–	–	114,803	–	114,803
At 31 December 2015	580,653	116,785	114,803	75,509	887,750
DEPRECIATION					
At 1 January 2014	9,879	22,401	–	33,050	65,330
Provided for the year	19,758	2,489	–	–	22,247
At 31 December 2014 and 1 January 2015	29,637	24,890	–	33,050	87,577
Provided for the year	27,583	6,124	12,756	1,517	47,980
Exchange differences	11	2	–	3	16
At 31 December 2015	57,231	31,016	12,756	34,570	135,573
CARRYING VALUES					
At 31 December 2015	523,422	85,769	102,047	40,939	752,177
At 31 December 2014	29,638	–	–	–	29,638

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 – 20%

Motor vehicles, office and other equipment which have been fully depreciated remain in use at the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

19. INTANGIBLE ASSETS

	Contract acquisition costs/ spectrum usage rights (note a) US\$	Licensing rights (note b) US\$	Total US\$
COST			
At 1 January 2014, 31 December 2014 and 1 January 2015	24,507,593	1,532,893	26,040,486
Acquisition through business combination (Note 9)	<u>84,430,000</u>	<u>–</u>	<u>84,430,000</u>
At 31 December 2015	<u>108,937,593</u>	<u>1,532,893</u>	<u>110,470,486</u>
ACCUMULATED AMORTISATION/ IMPAIRMENT			
At 1 January 2014, 31 December 2014 and 1 January 2015	663,747	1,532,893	2,196,640
Impairment provided for the year (note a)	<u>1,685,397</u>	<u>–</u>	<u>1,685,397</u>
At 31 December 2015	<u>2,349,144</u>	<u>1,532,893</u>	<u>3,882,037</u>
CARRYING VALUES			
At 31 December 2015	<u>106,588,449</u>	<u>–</u>	<u>106,588,449</u>
At 31 December 2014	<u>23,843,846</u>	<u>–</u>	<u>23,843,846</u>

- (a) The contract acquisition costs in 2014 represented costs incurred in acquiring a lease agreement which provided the exclusive right of four UHF spectrum TV station network in New York City with total 24 MHz in bandwidth capable of operating 24 digital channels of terrestrial and mobile TV and video programs covering 12 million populations in the New York Metropolitan of New York State. Since the date of acquisition in September 2012 to the date of modification, the contract acquisition costs were amortised on a straight-line basis over the operating leasing period of 20 years under the lease contract entered into between CMMB Vision USA Inc (“CMMB Vision USA”) and NYBB.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

19. INTANGIBLE ASSETS *(Continued)*

(a) *(Continued)*

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

In 2015, the Group has further acquired Chi Vision that has entered into an asset purchase option and ancillary spectrum lease agreement with NYBB. Chi Vision holds the user and operating rights over free-to-air UHF Spectrum TV Stations inclusive of the spectrum usage right, broadcasting rights and operating facilities in seven top US metropolitan cities, which are Los Angeles, San Francisco, Dallas, Houston, Atlanta, Miami and Tampa with more details as disclosed in note 9.

The spectrum usage rights are subject to renewal from time to time. The Directors are of the view that NYBB is able to renew the license rights with the authority indefinitely at minimal costs. Accordingly, the useful life of the spectrum usage rights is regarded as indefinite.

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 there is an impairment loss of US\$1,685,397 for the newly acquired spectrum usage right in seven US cities recognised by reference to the VIU only on 31 December 2015 as the FVLCTS is not available in the current year. The Directors determined that there is no impairments of the spectrum usage right in New York.

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 value in use calculation. The calculation uses cash flow projections based on financial budgets approved by the management covering a three-year period and discount rate of 11.38%. The spectrum usage rights' cash flow beyond the three-year period are extrapolated using a steady 2.08% p.a. growth rate. This growth rate is based on projected inflation published by the International Monetary Fund.

19. INTANGIBLE ASSETS *(Continued)*

(a) *(Continued)*

Other key assumptions for the value in use 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.

In 2014, the Management has evaluated the impairment of intangible assets by way of the higher of VIU or FVLCTS. The FVLCTS of the spectrum usage rights was determined based on the Comparable Transaction Method. Comparable transactions were selected based on the transaction date, designated use of the spectrum and bandwidth of the spectrum. Furthermore, price paid per MHz per person under coverage of the area was adopted as the valuation multiple to arrive at the FVLCTS of the Company's spectrum usage rights. The Directors are of the opinion that the key assumptions are consistent with external sources of information and believe that any reasonable change in any of these assumptions would not cause the aggregate carrying amount of the spectrum usage rights to exceed the aggregate recoverable amount of the spectrum usage rights. So, no impairment was resulted for the year ended 31 December 2014.

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

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 the US principally through a finance lease agreement with NYBB being the lessor. The Directors, 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.

- (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 recognised an impairment loss of US\$1,334,185 for the year ended 31 December 2012. As at 31 December 2015 and 2014, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

20. DEPOSITS FOR THE ACQUISITION OF INTANGIBLE ASSETS

Refundable deposits paid for the acquisition of intangible assets as at 31 December 2015 and 2014 as follows:

	2015	2014
	US\$	US\$
TV stations and spectrum in USA (note 9)	–	32,958,196
Satellites and related assets (note (a))	<u>26,011,638</u>	<u>5,158,714</u>
	<u>26,011,638</u>	<u>38,116,910</u>

- (a) On 9 September 2014 and 30 June 2015, the Company entered into a memorandum of understanding and an agreement respectively with New York Broadband II, LLC (“NYBB II”), a wholly-owned subsidiary of NYBB, to acquire the capacity of the current geosynchronous L-band satellite known as AsiaStar and its two follow-on co-location new generation satellites in order to provide mobile multimedia and broadband internet services in the PRC and other Asian markets. The memorandum of understanding also gives the Company the exclusivity to develop businesses in the region by using this satellite platform. The AsiaStar satellite located at the 105 degrees East orbital slot, with its associated L-band spectrum rights, is the only mobile satellite capable of covering the all of Asia, including the PRC, Japan, Korea, Southeast Asia, Indonesia, and India, and has been delivering audio, video and data services in the region. The capacity acquisition will give the Company a ubiquitous Asia-wide mobile platform to offer next generation media and internet services.

The acquisition has not been completed as at the date of issuance of the consolidated financial statements.

On 27 October 2015, the Company together with its business partner in the United States, NYBB, entered into an agreement with The Boeing Company for construction of the next-generation high-power mobile L-band satellite named “Silkwave-1”.

NYBB is procuring Silkwave-1 and will exclusively lease its capacity to the Company for providing a comprehensive suite of internet broadband media and information services to Asian mobile customers. Silkwave-1 is expected to launch in 2018, complementing and eventually replacing the current AsiaStar satellite to continue operation.

As at 31 December 2015, the Group has paid a total amount of approximately US\$26,011,638 (2014: US\$5,158,714) for the proposed acquisition of satellite and related assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

21. INTERESTS IN ASSOCIATES

	2015 US\$	2014 US\$
Unlisted investments in associates	—	—

Details of the Group's associates as at 31 December 2015 and 2014 are as follows:

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

	2015 US\$	2014 US\$
The unrecognised share of losses of associates for the year	4,455	14,837
Cumulative unrecognised share of losses of associates	50,416	45,961

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

22. GOODWILL

	2015 US\$	2014 US\$
Cost		
Arising on acquisition of a subsidiary and at 31 December	11,188,096	–
IMPAIRMENT		
Impairment loss recognised in the year and at 31 December	<u>11,188,096</u>	<u>–</u>
CARRYING VALUES	<u>–</u>	<u>–</u>

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the CMMB business related to Chi Vision which was acquired in 2015 as a cash generating unit (“CGU”) for impairment testing.

Chi Vision cash-generating unit

The recoverable amount of CGU have been determined based on a value in use calculation represented by the management using cash flow projections based on financial budgets covering a five-year period. The discount rate applied to the cash flow projections is 10.87% per annum.

The management of the Group recognised an impairment loss of US\$11,188,096 as the recoverable amount is lower than the carrying amount of the CGU in relation to goodwill arising on acquisition of Chi Vision.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

23. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015	2014
	US\$	US\$
Unlisted investment, at fair value	<u>2,118,000</u>	<u>–</u>

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 fair value through profit or loss.

The financial asset at fair value through profit or loss was valued by Peak Vision Appraisals Limited, an independent valuer not related to the Group.

The fair value was determined based on the income approach at the end of the reporting period. The change in fair value of US\$118,000 (2014: Nil) was recognised in the consolidated statement of profit or loss for the year ended 31 December 2015.

24. TRADE AND OTHER RECEIVABLES

	2015	2014
	US\$	US\$
Trade receivables	1,187,446	1,596,172
Other receivables and deposits (Note)	1,145,588	6,791
Prepayments	<u>162,119</u>	<u>24,786</u>
Total trade and other receivables	<u>2,495,153</u>	<u>1,627,749</u>

Note: The major item is a receivable of US\$1,000,000 advanced by the Group to Soaring.

The Group generally allows credit period between 60 to 90 days to its customers of CMMB business and trading business.

There is no trade receivables under CMMB business as at 31 December 2015 and 2014.

The trade receivables are due from three customers under trading business as at 31 December 2015 and 2014.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

24. TRADE AND OTHER RECEIVABLES (Continued)

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

	2015 US\$	2014 US\$
0 – 30 days	356,107	894,368
31 – 60 days	447,877	625,740
61 – 90 days	41,164	11,864
Over 90 days	342,298	64,200
	<u>1,187,446</u>	<u>1,596,172</u>

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 trade receivables that are neither past due nor impaired as at 31 December 2015 have no default payment history.

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

	2015 US\$	2014 US\$
0 – 30 days	40,399	11,864
31 – 60 days	259,317	64,200
	<u>299,716</u>	<u>76,064</u>

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.

25. BANK BALANCES AND CASH

Bank balances carry interest at market rates which range from 0.001% to 0.2% (2014: 0.01% to 0.35%) 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:

	2015 US\$	2014 US\$
Hong Kong dollar	9,030,551	9,744,490
Renminbi	403,034	1,278
	<u>9,433,585</u>	<u>9,745,768</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

26. TRADE AND OTHER PAYABLES

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

	2015 US\$	2014 US\$
0 – 90 days	780,210	1,428,275
91 – 180 days	15,733	54,720
Over 180 days	–	571
	<u>795,943</u>	<u>1,483,566</u>
Accruals	740,470	584,225
Other payables	<u>29,817</u>	<u>–</u>
Total trade and other payables	<u>1,566,230</u>	<u>2,067,791</u>

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

Accruals included the following items

Staff salaries	232,838	67,161
Audit fee	141,932	225,806
Legal and professional fee	190,294	159,017
Others	<u>175,406</u>	<u>132,241</u>
	<u>740,470</u>	<u>584,225</u>

27. AMOUNT DUE FROM/(TO) A RELATED COMPANY

	2015 US\$	2014 US\$
Amount due from/(to) Chi Capital	<u>1,331,269</u>	<u>(686,966)</u>

For the years ended 31 December 2015 and 31 December 2014, the amount due from/(to) Chi Capital is non-interest bearing, unsecured and repayable within one year and thus classified as current liability. Chi Capital is controlled by Mr. Wong, a director.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

28. CONVERTIBLE NOTES

On 14 September 2012, the Company issued Hong Kong dollar denominated convertible notes with a principal amount of HK\$45,786,000 (approximately US\$5,910,000) (“Convertible Notes”) to Chi Capital as part of the consideration for the acquisition of CMMB Vision USA. The maturity date of the Convertible Notes is 13 September 2015 (“CN Maturity Date”) which is 3 years from the date of issue of the Convertible Notes. The Convertible Notes are not interest bearing and mature on CN Maturity Date at the principal amount. The Convertible Notes are convertible into shares at any time after the issuance up to, but excluding, the close of business on the CN Maturity Date at the conversion price of HK\$0.33, subject to anti-dilutive adjustments. The initial number of ordinary shares of the Company issuable upon conversion is 138,744,230 shares, which represent 23.57% of the total number of ordinary shares of the Company issued and outstanding as of the issue date of the Convertible Notes on a fully diluted basis.

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

On 31 July 2014, the Company completed a Rights Issue. Pursuant to terms and conditions of the Convertible Notes, the conversion price of and the number of conversion shares to be issued upon exercise of the conversion rights attached to the outstanding Convertible Notes are adjusted, because of the Rights Issue, to HK\$0.274 and 167,100,715 shares, respectively.

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

In 2015, the Company had fully repaid of such principal moneys under the Convertible Notes to the holders of the Convertible Notes on the Maturity Date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

28. CONVERTIBLE NOTES (Continued)

The movement of the Convertible Notes debt component and derivative component are shown as follows:

Convertible Notes

	Debt Component US\$	Derivative Component US\$	Total US\$
At 1 January 2014	4,333,491	2,515,127	6,848,618
Effective interest expenses	865,802	–	865,802
Change in fair value of convertible notes	–	(1,236,203)	(1,236,203)
At 31 December 2014 and at 1 January 2015	5,199,293	1,278,924	6,478,217
Effective interest expenses	708,224	–	708,224
Elimination of derivative component upon redemption of convertible notes	–	(1,278,380)	(1,278,380)
Redemption	(5,907,517)	–	(5,907,517)
Exchange difference	–	(544)	(544)
At 31 December 2015	–	–	–

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. 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 and mature on 2021 CN Maturity Date at the principal amount. 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 anti-dilutive adjustments. The initial number of ordinary shares of the Company issuable upon conversion is 2,948,800,000 shares, which represent 38.63% of the total number of ordinary shares of the Company issued and outstanding as of the issue date of the 2021 Convertible Notes on a fully diluted basis.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in the convertible note equity reserve.

During the year, US\$9,664,948 value of the 2021 Convertible Notes were converted into shares of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

28. CONVERTIBLE NOTES *(Continued)*

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. The maturity date of the LA Convertible Notes is 21 July 2021 (“LACN Maturity Date”) which is 6 years from the date of issue of the LA Convertible Notes. The LA Convertible Notes are not interest bearing and mature on LACN Maturity Date at the principal amount. The LA Convertible Notes are convertible into shares at any time after the issuance up to, but excluding, 5 business days prior the LACN Maturity Date at the conversion price of HK\$0.473, subject to anti-dilutive adjustments. The initial number of ordinary shares of the Company issuable upon conversion is 86,951,374 shares, which represent 1.82% of the total number of ordinary shares of the Company issued and outstanding as of the issue date of the LA Convertible Notes on a fully diluted basis.

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

The issue of the 2021 Convertible Notes and LA 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\$19,588,000 and US\$2,732,000 for 2021 Convertible Notes and LA Convertible Notes respectively, which represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, with the noteholder redemption option but without the conversion option. It is subsequently measured at amortized cost by applying an effective interest rate of 11.68% per annum after considering the effect of the transaction costs;
- (ii) In the opinion of the directors of the Company, the economic characteristics and risks of the early redemption options are closely related to the host debt contract of the convertible bonds. Therefore, the Company did not account for the early redemption options separately; and
- (iii) Equity component, which was equal to the difference between the principal and the fair value of the liability component, amounted to approximately US\$18,412,000 and US\$2,568,000 for 2021 Convertible Notes and LA Convertible Notes, respectively which was presented in equity as convertible note equity reserve.

During the year ended 31 December 2015, the fair value of the liability component upon initial recognition of the “2021 Convertible Notes” and “LA Convertible Notes” at the issue date was valued based on the valuation performed by Peak Vision Appraisals Limited, an independent valuer not related to the Group. The residual amount was assigned as the equity component and was included in the convertible note equity reserve.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

28. CONVERTIBLE NOTES (Continued)

The fair value of the liability component of the “2021 Convertible Notes” and “LA Convertible Notes” is determined by using the discounted cash flow method, with the following key assumptions:

	“2021 Convertible Notes”	“LA Convertible Notes”
Time to maturity	6 years	6 years
Discount rate	11.68%	11.68%

The fair value of the equity component of the “2021 Convertible Notes” and “LA Convertible Notes” is determined by using the bi-nominal model, with the following key assumptions:

	“2021 Convertible Notes”	“LA Convertible Notes”
Fair value of shares of the Company	HK\$0.211	HK\$0.211
Conversion price	HK\$0.1	HK\$0.473
Risk free rate	2.02%	2.02%
Expected dividend yield	0%	0%
Annualised volatility	92.32%	92.32%

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

	2021 Convertible Notes	LA Convertible Notes	
	Debt Component	Debt Component	Total
	US\$	US\$	US\$
Fair value on issue	19,588,000	2,732,000	22,320,000
Effective interest expenses	849,032	137,619	986,651
Conversion to shares	(4,684,299)	–	(4,684,299)
At 31 December 2015	<u>15,752,733</u>	<u>2,869,619</u>	<u>18,622,352</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

29. SHARE CAPITAL

	Number of shares	Nominal value HK\$	Shown in US\$
Authorised:			
Ordinary shares of HK\$0.1 each			
At 31 December 2014	5,000,000,000	500,000,000	
Addition	<u>45,000,000,000</u>	<u>4,500,000,000</u>	
At 31 December 2015	<u>50,000,000,000</u>	<u>5,000,000,000</u>	
Issued and fully paid:			
Ordinary shares of HK\$0.1 each			
At 1 January 2014	860,175,745	86,017,575	11,099,042
Issue of new shares by placement (note i)	61,035,149	6,103,515	787,550
Rights issue (note ii)	1,842,421,788	184,242,179	23,773,185
Bonus issue (note ii)	921,210,894	92,121,089	11,886,592
Exercise of share options (note iii)	<u>85,655,314</u>	<u>8,565,531</u>	<u>1,105,230</u>
At 31 December 2014 and at 1 January 2015	3,770,498,890	377,049,889	48,651,599
Issue of new shares by placement (note iv)	1,732,690,387	173,269,039	22,356,718
Issue of shares on partial conversion of 2021 Convertible Notes (note v)	<u>750,000,000</u>	<u>75,000,000</u>	<u>9,664,949</u>
At 31 December 2015	<u>6,253,189,277</u>	<u>625,318,928</u>	<u>80,673,266</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

29. SHARE CAPITAL (Continued)

Notes:

- (i) On 3 March 2014, the Company entered into subscription agreements with subscribers for the subscription of an aggregate 61,035,149 new shares for an aggregate consideration of approximately HK\$15.87 million at the subscription price of HK\$0.260 per subscription share. The subscription was completed on 7 March 2014. The proceeds were used to provide additional working capital for the Company.
- (ii) On 10 April 2014, the Company entered into an underwriting agreement with the subscribers pursuant to the Rights Issue on the basis of two Rights Shares for every one new share of the Company at the subscription price at HK\$0.15 per Rights Share. It is also proposed to allot and issue new shares on the basis of one Bonus Share for every 2 Rights Shares taken up under the Rights Issue. On 31 July 2014, the Company issued 1,842,421,788 new shares pursuant to the Rights Issue and a total of 921,210,894 new shares has been issued pursuant to the Bonus Issue. Upon the Company's allotment and issue of the Rights Issue and Bonus Issue, (a) the exercise price of the share options and the number of shares to be allotted and issue upon exercise of the subscription rights attaching to the outstanding share options is adjusted pursuant to the terms of the Share Option Scheme (as defined in note 30); and (b) the conversion price of and the number of conversion shares to be issued upon exercise of the conversion rights attached to the outstanding Convertible Notes is adjusted pursuant to the terms and conditions of the Convertible Notes.
- (iii) On 27 November 2014 and 19 December 2014, 75,431,207 and 10,224,107 share options has been exercised, respectively (note 30).
- (iv) On 5 January 2015, the Company entered into subscription agreements with subscribers for the subscription of an aggregate 184,242,178 new shares for an aggregate consideration of approximately HK\$48.82 million at the subscription price of HK\$0.265 per subscription share. The subscription was completed on 12 January 2015. The proceeds were used to provide general working capital for the Company and the funding of the considerations for its investment and acquisitions.

On 29 June 2015, the Company entered into subscription agreements with subscribers for the subscription of an aggregate 730,615,382 new shares for an aggregate consideration of approximately HK\$189.96 million at the subscription price of HK\$0.260 per subscription share. The subscription was completed on 8 July 2015. The proceeds were used to provide general working capital for the Company and the funding of the considerations for its investments and acquisitions.

On 7 October 2015, the Company entered into subscription agreements with subscribers for the subscription of an aggregate 60,332,830 new shares for an aggregate consideration of approximately HK\$7.24 million at the subscription price of HK\$0.120 per subscription share. The subscription was completed on 14 October 2015. The proceeds were used to provide general working capital for the Company.

On 21 December 2015, the Company entered into subscription agreements with subscribers for the subscription of an aggregate 757,499,997 new shares for an aggregate consideration of approximately HK\$90.90 million at the subscription price of HK\$0.120 per subscription share. The subscription was completed on 30 December 2015. The proceeds were used to provide general working capital for the Company.

- (v) On 23 July 2015 and 30 July 2015, 300,000,000 and 450,000,000 conversion shares have been issued, respectively, pursuant to the conversion of 2021 Convertible Notes. (note 28).

These new shares rank *pari passu* with the existing shares in issue in all aspects.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

30. SHARE OPTION SCHEME

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

30. SHARE OPTION SCHEME (Continued)

Details of the share options granted and outstanding under the Share Option Scheme during 2015 were as follows:

	Date of grant	Adjusted exercise price HK\$ (Note)	Exercise period	Number of share options					
				Outstanding at 1.1.2015	Granted during the year	Adjustment	Exercised during the year	Lapsed/ forfeited during the year	Outstanding at 31.12.2015
Consultants	19 November 2012	0.432	19 November 2012 to 18 November 2015	50,868,518	-	-	-	(50,868,518)	-
	7 May 2014	0.114	7 May 2014 to 6 May 2017	10,214,912	-	-	-	-	10,214,912
Total consultants				<u>61,083,430</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(50,868,518)</u>	<u>10,214,912</u>
Total				<u>61,083,430</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(50,868,518)</u>	<u>10,214,912</u>
Exercisable at the end of the year				<u>61,083,430</u>					<u>10,214,912</u>
Weighted average exercise price (HK\$)				<u>0.38</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.43</u>	<u>0.11</u>

Details of the share options granted and outstanding under the Share Option Scheme during 2014 were as follows:

	Date of grant	Adjusted exercise price HK\$ (Note)	Exercise period	Number of share options					
				Outstanding at 1.1.2014	Granted during the year	Adjustment	Exercised during the year	Lapsed/ forfeited during the year	Outstanding at 31.12.2014
Consultants	23 November 2011	0.332	23 November 2011 to 22 November 2014	7,502,220	-	1,536,599	(3,614,458)	(5,424,361)	-
	19 November 2012	0.432	19 November 2012 to 18 November 2015	42,260,000	-	8,608,518	-	-	50,868,518
	7 May 2014	0.114	7 May 2014 to 6 May 2017	-	76,767,574	15,488,194	(82,040,856)	-	10,214,912
Total consultants				<u>49,762,220</u>	<u>76,767,574</u>	<u>25,633,311</u>	<u>(85,655,314)</u>	<u>(5,424,361)</u>	<u>61,083,430</u>
Total				<u>49,762,220</u>	<u>76,767,574</u>	<u>25,633,311</u>	<u>(85,655,314)</u>	<u>(5,424,361)</u>	<u>61,083,430</u>
Exercisable at the end of the year				<u>49,762,220</u>					<u>61,083,430</u>
Weighted average exercise price (HK\$)				<u>0.5</u>	<u>0.11</u>	<u>0.23</u>	<u>0.12</u>	<u>0.33</u>	<u>0.38</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

30. SHARE OPTION SCHEME (Continued)

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

At 31 December 2015, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 10,214,912 (31 December 2014: 61,083,430), respecting 0.16% (31 December 2014: 1.62%) of the shares of the Company in issue at the date.

The Group had recognised total expenses in the consolidated statement of profit or loss and other comprehensive income of US\$600,879 related to equity-settled share-based payment transactions for the year ended 31 December 2014.

The Share Option Scheme had been expired on 4 July 2015. No further share options has be granted under the Share Option Scheme after its expiry. In view of the expiry of the Share Option Scheme, the Directors propose the adoption of a new share option scheme, the Share Option Scheme 2015, as a replacement of the Share Option Scheme, which was duly passed at the extraordinary general meeting of the Company held on 18 December 2015. Details refer to the circular of the Company dated 2 December 2015.

31. MAJOR NON-CASH TRANSACTION

As set out in note 12, the Group had withholding taxes on foreign income for the years ended 31 December 2015 and 2014. The withholding taxes were settled by way of deduction from the gross invoice amount by the customer prior to remittance to the Group.

For the year ended 31 December 2015, the Group acquired 79% interest in Chi Vision at the consideration of US\$77,480,000, in which US\$32,958,196 was paid in prior years, US\$1,221,804 was paid in current year and the remaining US\$43,300,000 was satisfied by the issuance of convertible notes.

32. OPERATING LEASES

The Group as lessee

Minimum lease payments paid under operating leases of an office and site premises for the operation of TV transmission antenna and related transmission equipment were US\$483,877 (2014: US\$115,182) and US\$484,370 (2014: US\$355,750), 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:

	2015	2014		
	Office US\$	Site premises US\$	Office US\$	Total US\$
Within one year	468,107	340,298	147,738	488,036
In the second to fifth years inclusive	619,093	350,133	69,246	419,379
	1,087,200	690,431	216,984	907,415

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

32. OPERATING LEASES (Continued)

The Group as lessee (Continued)

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

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 (2014: one to three years) with fixed rentals.

33. COMMITMENTS

	2015	2014
	US\$	US\$
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of		
– acquisition of intangible assets	–	1,221,804
– acquisition of an equity investment in Taiwan	–	6,000,000
– refurbishment of office	<u>80,849</u>	<u>–</u>

Save as disclosed in note 20, the Company entered into an agreement with NYBB II to acquire the capacity of the current geosynchronous L-band satellite known as AsiaStar and its two follow-on co-location new generation satellites and the Company together with NYBB entered into an agreement with The Boeing Company for construction of the next generation high-power mobile L-band satellite named “Silkwave-1”. Since the acquisition has not been completed and its consideration has yet to determine, the directors considered that the relevant capital expenditure shall not be included as the commitment of the Group as at the date of issuance of the consolidated financial statements.

34. RETIREMENT BENEFIT SCHEME

(a) Mandatory Provident Fund

The Group operates a Mandatory Provident Fund Scheme (“MPF Scheme”) for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years. Both the Group and the employee contribute a fixed percentage of the relevant payroll, subject to a maximum contribution of HK\$1,500 (approximately US\$194) effective from 1 June 2014 to the MPF Scheme.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

34. RETIREMENT BENEFIT SCHEME (Continued)

(b) Social security and benefits for PRC employees

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

The total cost charged to profit or loss of US\$13,292 (2014: US\$1,935) represents contributions payable to these schemes by the Group in respect of the current year. As at 31 December 2015 and 2014, no contributions due in respect of the reporting period had not been paid over to the scheme.

35. RELATED PARTY DISCLOSURES

Save as disclosed above for (i) the acquisition of Chi Vision; (ii) deposits paid for acquisition of intangible assets with Chi Capital and NYBB II; and (iii) those related party balances at the end of the reporting period which are set out in notes 9, 20 and 27, respectively, the Group had the following significant transaction with a related party during the year:

Name of related party	Nature of transaction	2015 US\$	2014 US\$
Chi Capital	Rental paid	<u>24,000</u>	<u>–</u>

During the current year, the Group reimbursed NYBB of US\$484,370 (2014: US\$355,750) 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:

	2015 US\$	2014 US\$
Salaries and other benefits	<u>175,000</u>	<u>175,000</u>

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

36. PRINCIPAL SUBSIDIARIES

(a) Particulars of the Company's principal subsidiaries as at 31 December 2015 and 2014 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		
				2015	2014	2015	2014	
Global Flex Trading Center Limited	Samoa/Taiwan	Ordinary	*US\$2,000,000	100%	100%	-	-	Provision of trading business
Galactic Venture Holdings Limited	British Virgin Islands	Ordinary	US\$1	100%	100%	-	-	Investment holding
Grand Regal Capital Limited	British Virgin Islands	Ordinary	US\$1	-	-	100%	100%	Investment holding
CMMB Holdings Limited	Hong Kong	Ordinary	HK\$10,000	95%	95%	-	-	Investment holding
CMMB SAT Limited	Hong Kong	Ordinary	HK\$500	100%	100%	-	-	Provision of administrative service
Newell Top Limited	British Virgin Islands	Ordinary	US\$50,000	-	-	100%	100%	Provision of trading business
CMMB International Limited	Hong Kong	Ordinary	HK\$10,000	-	-	65%	65%	Holding of a licensing right
CMMB Vision (USA)	USA	Ordinary	US\$10,000	51%	51%	-	-	Provision of transmission and broadcasting of TV programs
Chi Vision	USA	Ordinary	US\$20	79%	-	-	-	Provision of transmission and broadcasting of TV programs

* The registered capital has not been paid up as at 31 December 2015 and 2014.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

36. PRINCIPAL SUBSIDIARIES (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	
		2015	2014	2015	2014	2015	2014
		US\$	US\$	US\$	US\$	US\$	US\$
CMMB Vision USA	USA	49%	49%	60,972	(228,480)	10,938,663	10,877,691
Chi Vision	USA	21%	-	(386,784)	-	17,235,114	-
Individually immaterial subsidiaries with non-controlling interests				-	-	(350,008)	(350,008)
				<u>(325,812)</u>	<u>(228,480)</u>	<u>27,823,769</u>	<u>10,527,683</u>

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

36. PRINCIPAL SUBSIDIARIES (Continued)

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

CMMB Vision USA

	2015 US\$	2014 US\$
Current assets	<u>2,827,237</u>	<u>500,109</u>
Non-current assets	<u>34,864,552</u>	<u>34,864,552</u>
Current liabilities	<u>(13,692,540)</u>	<u>(96,469)</u>
Non-current liabilities	<u>–</u>	<u>(11,393,374)</u>
Equity attributable to owners of the Company	<u>13,060,586</u>	<u>12,997,127</u>
Non-controlling interests	<u>10,938,663</u>	<u>10,877,691</u>
	2015 US\$	2014 US\$
Revenue	<u>590,000</u>	<u>590,000</u>
Expenses	<u>(465,569)</u>	<u>(1,056,284)</u>
Profit/(Loss) for the year	<u>124,431</u>	<u>(466,284)</u>
Profit/(Loss) and total comprehensive income/(expense) attributable to owners of the Company	<u>63,459</u>	<u>(237,804)</u>
Profit/(Loss) and total comprehensive income/(expense) attributable to non-controlling interests	<u>60,972</u>	<u>(228,480)</u>
Profit/(Loss) and total comprehensive income/(expense) for the year	<u>124,431</u>	<u>(466,284)</u>
Net cash inflow from operating activities	<u>88,640</u>	<u>131,093</u>
Net cash outflow from investing activities	<u>–</u>	<u>–</u>
Net cash outflow from financing activities	<u>(93,540)</u>	<u>(231,380)</u>
Net cash outflow	<u>(4,900)</u>	<u>(100,287)</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

36. PRINCIPAL SUBSIDIARIES (Continued)

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

Chi Vision

	2015 US\$	2014 US\$
Current assets	<u>9,000</u>	<u>–</u>
Non-current assets	<u>82,846,650</u>	<u>–</u>
Current liabilities	<u>(783,675)</u>	<u>–</u>
Equity attributable to owners of the Company	<u>64,836,861</u>	<u>–</u>
Non-controlling interests	<u>17,235,114</u>	<u>–</u>
	2015 US\$	2014 US\$
Revenue	22,193	–
Expenses	<u>(1,864,020)</u>	<u>–</u>
Loss for the year	<u>(1,841,827)</u>	<u>–</u>
Loss and total comprehensive expense attributable to owners of the Company	(1,455,043)	–
Loss and total comprehensive expense attributable to non-controlling interests	<u>(386,784)</u>	<u>–</u>
Loss and total comprehensive expense for the year	<u>(1,841,827)</u>	<u>–</u>

There were no cash transactions during the years ended 31 December 2015 and 2014.

37. CONTINGENT LIABILITIES

As at 31 December 2015, the Group has provided a guarantee for its equity investment in aggregate amount of US\$1,551,000 in respect of an upgrade project undertaken by its equity investment (2014: Nil).

38. EVENT AFTER THE REPORTING PERIOD

- (i) On 29 January 2016, the Group entered into an Equity Transfer Agreement with Global Broadcasting Media Company (“GMG”), pursuant to which the Group will transfer 51% of the equity interest in 國廣中播傳媒技術有限公司 (GMG-CMMB Media Technology Co. Ltd) (“GMG-CMMB”, formerly known as 中播(北京)信息技術有限責任公司 (CMMB Information Technology Co., Ltd.)), a wholly-owned PRC subsidiary established on 24 August 2015, at a consideration of RMB1, to GMG according to the terms and subject to the conditions set forth in the Equity Transfer Agreement. The Agreement has effectively formalized GMG-CMMB as a joint venture company between the Company and GMG for operating a satellite-based mobile broadcasting platform, providing unique multimedia services such as mobile video, audio, internet data for mobile consumers and vehicles in PRC. The shares transfer has not been completed as at the date of issuance of the consolidated financial statements.
- (ii) The Company proposed to raise approximately HK\$625.32 million before expenses by way of an issue of 6,253,189,277 new shares pursuant to a rights issue on the basis of one rights share for every one share in issue on the record date at the subscription price of HK\$0.1 per rights share and the issue of bonus shares on the basis of one bonus share for every one rights share taken up under the rights issue. All the resolutions approving the rights issue and the issue of bonus shares were duly passed at the extraordinary general meeting of the Company on 15 March 2016 and the proposed rights issue and bonus shares issue are expected to be completed in April 2016.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2015 US\$	2014 US\$
NON-CURRENT ASSETS		
Property, plant and equipment	210,288	29,638
Investments in subsidiaries	85,700,775	14,228,578
Deposits for the acquisition of intangible assets	23,011,638	27,096,204
Amounts due from subsidiaries	4,983,006	4,086,744
Financial asset at fair value through profit or loss	2,118,000	–
	<u>116,023,707</u>	<u>45,441,164</u>
CURRENT ASSETS		
Amount due from a related company	1,439,954	–
Other receivables, deposits and prepayment	1,024,302	–
Bank balances and cash	9,041,617	9,749,898
	<u>11,505,873</u>	<u>9,749,898</u>
CURRENT LIABILITIES		
Other payables	608,798	456,590
Amount due to a related company	–	1,147,663
Convertible notes	–	6,478,217
	<u>608,798</u>	<u>8,082,470</u>
NET CURRENT ASSETS	<u>10,897,075</u>	<u>1,667,428</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>126,920,782</u>	<u>47,108,592</u>
NON-CURRENT LIABILITIES		
Amounts due to subsidiaries	1,488,122	1,488,160
Convertible notes	18,622,352	–
	<u>20,110,474</u>	<u>1,488,160</u>
	<u>106,810,308</u>	<u>45,620,432</u>
CAPITAL AND RESERVES		
Share capital	80,673,266	48,651,599
Reserves	26,137,042	(3,031,167)
TOTAL EQUITY	<u>106,810,308</u>	<u>45,620,432</u>

Director

Director

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

	Share premium US\$	Merger reserve US\$	Distributable reserve US\$	Share option reserve US\$	Capital reserve US\$	Convertible note reserves US\$	Accumulated losses US\$	Total US\$
At 1 January 2014	58,401,200	31,987,096	18,464,516	1,764,546	2,105,473	-	(114,893,251)	(2,170,420)
Loss for the year and total comprehensive expense for the year	-	-	-	-	-	-	(2,514,671)	(2,514,671)
Recognition of equity-settled share-based payment expenses	-	-	-	600,879	-	-	-	600,879
Lapse of share options	-	-	-	(52,124)	-	-	52,124	-
Exercise of share options	825,482	-	-	(569,079)	-	-	-	256,403
Issue of shares								
- placement	1,260,081	-	-	-	-	-	-	1,260,081
- rights issue	11,886,592	-	-	-	-	-	-	11,886,592
- bonus issue	(11,886,592)	-	-	-	-	-	-	(11,886,592)
Transaction costs related to issue of shares	(463,439)	-	-	-	-	-	-	(463,439)
At 31 December 2014 and at 1 January 2015	60,023,324	31,987,096	18,464,516	1,744,222	2,105,473	-	(117,355,798)	(3,031,167)
Loss for the year and total comprehensive expense for the year	-	-	-	-	-	-	(7,947,380)	(7,947,380)
Lapse of share options	-	-	-	(1,677,690)	-	-	1,677,690	-
Recognition of equity component of convertible notes	-	-	-	-	-	20,980,000	-	20,980,000
Issue of shares								
- placement	21,116,239	-	-	-	-	-	-	21,116,239
- conversion of convertible notes	-	-	-	-	-	(4,980,650)	-	(4,980,650)
At 31 December 2015	81,139,563	31,987,096	18,464,516	66,532	2,105,473	15,999,350	(123,625,488)	26,137,042

Financial Summary

RESULTS

	Year ended 31 December				
	2011 US\$	2012 US\$	2013 US\$	2014 US\$	2015 US\$
Revenue	<u>–</u>	<u>266,227</u>	<u>713,774</u>	<u>5,810,184</u>	<u>8,668,572</u>
(Loss) Profit for the year	<u>6,045,271</u>	<u>(10,615,261)</u>	<u>(293,151)</u>	<u>(2,206,128)</u>	<u>(21,730,507)</u>

ASSETS AND LIABILITIES

	As at 31 December				
	2011 US\$	2012 US\$	2013 US\$	2014 US\$	2015 US\$
Total assets	3,028,781	26,184,766	37,187,635	73,754,776	149,708,583
Total liabilities	<u>(1,981,674)</u>	<u>(11,247,525)</u>	<u>(9,694,496)</u>	<u>(9,261,284)</u>	<u>(20,223,470)</u>
Shareholders' funds	<u>1,047,107</u>	<u>14,937,241</u>	<u>27,493,139</u>	<u>64,493,492</u>	<u>129,485,113</u>

Note: The results for four years ended 31 December 2014, and the assets and liabilities as at 31 December 2011, 2012, 2013 and 2014 have been extracted from the Company's respective years' annual reports.