



CMMB VISION

**CMMB Vision Holdings Limited**

**中國移動多媒體廣播控股有限公司**

(Formerly known as Global Flex Holdings Limited)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 471)

**2011**  
**INTERIM REPORT**

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# Corporate Information

## Board of Directors

Executive Directors

Mr. WONG Chau Chi (*Chairman*)

Dr. Hui LIU (*Vice-chairman*)

(re-designated as an executive Director with effect from 19 May 2011)

## Non-executive Directors

Mr. CHOU Tsan-Hsiung

Mr. YANG Yi

## Independent Non-executive Directors

Mr. WANG Wei-Lin

Mr. Shan LI

Dr. LI Jun

(re-designated as an independent non-executive Director with effect from 31 May 2011)

Mr. YU Kam Kee Lawrence BBS, MBE, JP  
(resigned with effect from 1 June 2011)

## Members of Audit Committee

Mr. Shan LI (*Chairman*)

Mr. CHOU Tsan-Hsiung

Dr. LI Jun

(appointed with effect from 31 May 2011)

Mr. YU Kam Kee Lawrence BBS, MBE, JP  
(resigned with effect from 1 June 2011)

## Members of Remuneration Committee

Mr. WANG Wei-Lin (*Chairman*)

Mr. CHOU Tsan-Hsiung

Mr. Shan LI

Dr. LI Jun

(appointed with effect from 31 May 2011)

Mr. YU Kam Kee, Lawrence BBS, MBE, JP  
(resigned with effect from 1 June 2011)

## Company Secretary

Mr. CHEUNG Kai Cheong Willie FCCA, CPA

## Authorised Representatives

Mr. WONG Chau Chi

Mr. CHEUNG Kai Cheong Willie

## Auditor

Deloitte Touche Tohmatsu

## Legal Advisor as to Hong Kong Law

Orrick, Herrington & Sutcliffe

## Principal Banker

The Hongkong and Shanghai Banking Corporation Limited

## Registered Office

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

## Principal Place of Business in Hong Kong

1701-1702, 17th Floor  
The Hong Kong Club Building  
3A Chater Road, Central  
Hong Kong

Tel: +852 3690 2589

Fax: +852 3690 2489

Email: [info@cmmbvision.com](mailto:info@cmmbvision.com)

Website: [www.cmmbvision.com](http://www.cmmbvision.com)

## Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group (Cayman) Limited

Butterfield House  
68 Fort Street, P.O. Box 705  
George Town, Grand Cayman  
Cayman Islands

## Hong Kong Branch Share Registrar and Transfer Office

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

**Stock Code:** 471

## REVIEW OF OPERATIONS/BUSINESS

The principal activity of CMMB Vision Holdings Limited (“Company”) is investment holding whilst its subsidiaries are mainly engaged in manufacture and trading of printed circuit boards and assembly.

During the six months ended 30 June 2011 (“Period”), the Company and its subsidiaries (collectively, the “Group”) did not have revenue for continuing operations. The Company is going to dispose its subsidiaries which are principally engaged in its loss making manufacturing of printed circuit boards operations. Further details are disclosed in note 1(a) to the condensed consolidated financial statements of the Group.

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

CMMB is China home grown mobile TV technology standard that provides terrestrial and satellite broadcast transmission to mobile devices, (e.g. smart-phones, car-mount TVs, GPS, PC TVs, etc.) with accompanying interactive multi-media services. The standard’s principal funder is Dr. Hui Liu, the vice-chairman of the Company. The China Broadcasting Corporation, under the State Administration of Radio, Film and Television (“SARFT”) commenced commercial CMMB services in 2010 and already operates the world’s largest mobile television broadcasting network covering over 300 cities within more than 500 million inhabitants.

CMMB is a key driver for China’s 3-Way Network Convergence. China Mobile, the world’s largest mobile networks operator, is preparing to roll-out its convergence TD-CMMB services, which packages TD-SDMA 3G voice, data and internet services with CMMB Mobile TV. The service is expected to commence in 2010 and with projected subscribers reaching well over 100 million within a few years.

# Management Discussion and Analysis

## FINANCIAL REVIEW

For the Period, the Group recorded loss for the period of approximately US\$6.4 million as compared to loss for the period approximately US\$7.1 million, representing a decrease of approximately 9.9%. Loss per share was approximately US0.19 cents (six months ended 30 June 2010: approximately US0.26 cents) and net liabilities per share of the Company was approximately US0.52 cents (31 December 2010: approximately US0.32 cents).

### Turnover and gross loss margin

For the Period, the Group did not have revenue and gross profit for continuing operations and it recorded loss for the Period of approximately US\$6.4 million as compared to loss of approximately US\$7.1 million for the six months ended 30 June 2010.

### Operating expenses

During the Period, the Group's administrative expenses decreased by 70.6% to approximately US\$0.5 million (six months ended 30 June 2010: approximately US\$1.7 million).

## INTERIM DIVIDEND

The board ("Board") of directors ("Directors") of the Company does not recommend declare any interim dividend to the shareholders of the Company for the Period.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2011, the Group had shareholders' deficits of approximately US\$17.9 million. Current assets (excluded assets classified as held for sale) amounted to approximately US\$1.5 million. It mainly comprises bank balances and cash of approximately US\$0.2 million and trade and other receivables of approximately US\$0.7 million. Current liabilities (excluded liabilities directly associated with assets classified as held for sale) amounted to approximately US\$0.7 million. It mainly comprises other payables of approximately US\$0.7 million.

As at 30 June 2011, the Group's current ratio (excluded assets classified as held for sale and liabilities directly associated with assets classified as held for sale) was 2.1 (31 December 2010: 0.6) and the gearing ratio (a ratio of total loans to total assets) was Nil (31 December 2010: 64.7%).

## FOREIGN EXCHANGE EXPOSURE

For the Period, most assets, liabilities and transactions of the Group are denominated in Renminbi ("RMB"), Hong Kong Dollars ("HK\$") and US\$. The management believes that foreign exchange risk does not affect the Group since the sales and purchases in RMB substantially hedged the risks of the transactions in foreign currency and the Group did not make any other hedging arrangement during the Period.

## SEGMENT INFORMATION

Details of segment information of the Group for the Period are set out in note 3 to the condensed consolidated financial statements.

## EMPLOYEE BENEFITS

For the Period, the average number of employees of the Group was approximately 100 (six months ended 30 June 2010: approximately 500), and the Group's staff costs amount to approximately US\$464,000 (six months ended 30 June 2010: approximately US\$1.1 million). The remuneration policy of the Group is reviewed annually and is in line with the prevailing market practice. During the Period, the Company has not granted any share options to Directors nor employees of the Group (six months ended 30 June 2010: 56,455,000 share options) under the share option scheme of the Company adopted on 5 July 2005.

## MATERIAL ACQUISITIONS AND DISPOSALS AND FUTURE PLANS FOR MATERIAL INVESTMENT

On 24 December 2010, the Company has entered into the sale and purchase agreements with Chi Capital Holdings Limited ("Chi Capital") and Sky Rise Technology Limited ("Skyrise") respectively; and further on 16 February 2011, the Company entered into the supplemental agreement with Chi Capital, pursuant to the aforesaid agreements and supplemental agreement the Company as the purchaser has conditionally agreed to purchase, and each of Chi Capital and Skyrise as the sellers have conditionally agreed to sell, 16% and 49% interest in CMMB International Limited ("CMMB International") respectively. CMMB International holds the international development and licensing rights of CMMB technology granted by TiMi Technologies for the commercial development and exploitation of CMMB technology outside of the PRC.

For the above acquisitions, the Company will paid to Chi Capital and Skyrise by way of issuing the shares ("Shares") of the Company at the issue price of HK\$0.140 per share, of which, 91,680,000 new Shares will be issued to Chi Capital and 280,770,000 new Shares will be issued to Skyrise, credited as fully paid. The above acquisitions were not yet completed during the Period.

Chi Capital is wholly-owned by Mr. Wong Chau Chi, the chief executive officer, an executive Director of the Company and the chairman of the Board.

Save as disclosed above, the Group did not have any other material acquisition or disposals of subsidiaries or associates.

# Management Discussion and Analysis

## CHARGE ON ASSETS

As at 30 June 2011, pledges of the Group's properties and prepaid lease payments amounted to approximately US\$16.9 million and US\$0.7 million respectively (31 December 2010: approximately US\$17.5 million and US\$0.7 million respectively) to secure its bank borrowings.

## CONTINGENT LIABILITIES

As at 30 June 2011, neither the Group nor the Company has any significant contingent liabilities (31 December 2010: Nil).

## PROSPECTS

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

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

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

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

# Management Discussion and Analysis

## DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

As at 30 June 2011, the interests and short positions of the Directors and chief executives of the Company in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (“Model Code”) were as follows:

### (a) Ordinary shares

| Name of Director  | Capacity/nature of interest               | Total number of ordinary shares held | Approximate percentage of interest |
|-------------------|---|--------------------------------------|------------------------------------|
| Mr. Wong Chau Chi | Interest of controlled corporation (Note) | 432,050,000                          | 12.57%                             |

Note: Mr. Wong Chau Chi is the beneficial owner of the entire issued share capital of Chi Capital which holds 139,820,000 Shares, and is interested in another 292,230,000 Shares which are to be issued to Chi Capital as consideration of the transactions contemplated under the Chi Capital SPA. Mr. Wong Chau Chi is also sole director of Chi Capital.

### (b) Share options

| Name of Director     | Capacity/nature of interest | Number of options held | Number of underlying shares held |
|----------------------|-----------------------------|------------------------|----------------------------------|
| Mr. Wong Chau Chi    | Beneficial owner            | 26,750,000             | 26,750,000                       |
| Dr. Hui Liu          | Beneficial owner            | 10,000,000             | 10,000,000                       |
| Mr. Chou Tsan-Hsiung | Beneficial owner            | 10,000,000             | 10,000,000                       |
| Mr. Yang Yi          | Beneficial owner            | 20,000,000             | 20,000,000                       |
| Dr. Li Jun           | Beneficial owner            | 10,000,000             | 10,000,000                       |
| Mr. Wang Wei-Lin     | Beneficial owner            | 2,000,000              | 2,000,000                        |
| Mr. Shan Li          | Beneficial owner            | 10,000,000             | 10,000,000                       |
|                      |                             | <u>88,750,000</u>      | <u>88,750,000</u>                |

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

Save as disclosed above, none of the Directors, chief executives of the Company or their associates had any interests or short positions, whether beneficial or non-beneficial, in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30 June 2011 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.

# Management Discussion and Analysis

## SHARE OPTIONS

The Company operates a share option scheme (the “Scheme”) which was adopted on 5 July 2005. During the Period, no share options were granted nor exercised under the Scheme. Movements of the share options of the Company during the Period are listed below:

| Category                       | Date of grant    | Number of share options       |                           |                             |  | Outstanding at 30 June 2011 | Exercise price per share HKD | Vesting period | Exercise period                      |
|--------------------------------|------------------|-------------------------------|---------------------------|-----------------------------|--|-----------------------------|------------------------------|----------------|--------------------------------------|
|                                |                  | Outstanding at 1 January 2011 | Granted during the Period | Exercised during the Period | Cancelled and lapsed during the Period |                             |                              |                |                                      |
| <b>Director</b>                |                  |                               |                           |                             |  |                             |                              |                |                                      |
| Mr. Wong Chau Chi              | 5 November 2009  | 10,000,000                    | —                         | —                           | —                                      | 10,000,000                  | 0.128                        | N/A            | 5 November 2009 to 4 November 2012   |
|                                | 23 February 2010 | 16,750,000                    | —                         | —                           | —                                      | 16,750,000                  | 0.121                        | N/A            | 23 February 2010 to 22 February 2013 |
| Dr. Hui Liu                    | 24 November 2009 | 10,000,000                    | —                         | —                           | —                                      | 10,000,000                  | 0.146                        | N/A            | 24 November 2009 to 23 November 2012 |
| Mr. Chow Tsan-Hsiung           | 5 November 2009  | 10,000,000                    | —                         | —                           | —                                      | 10,000,000                  | 0.128                        | N/A            | 5 November 2009 to 4 November 2012   |
| Mr. Yang Yi                    | 5 November 2009  | 15,000,000                    | —                         | —                           | —                                      | 15,000,000                  | 0.128                        | N/A            | 5 November 2009 to 4 November 2012   |
|                                | 24 November 2009 | 5,000,000                     | —                         | —                           | —                                      | 5,000,000                   | 0.146                        | N/A            | 24 November 2009 to 23 November 2012 |
| Dr. Li Jun                     | 5 November 2009  | 10,000,000                    | —                         | —                           | —                                      | 10,000,000                  | 0.128                        | N/A            | 5 November 2009 to 4 November 2012   |
| Mr. Wang Wei-Lin               | 5 November 2009  | 2,000,000                     | —                         | —                           | —                                      | 2,000,000                   | 0.128                        | N/A            | 5 November 2009 to 4 November 2012   |
| Mr. Yu Kam Kee Lawrence (Note) | 5 November 2009  | 2,000,000                     | —                         | —                           | (2,000,000)                            | —                           | 0.128                        | N/A            | 5 November 2009 to 4 November 2012   |
| Mr. Shan Li                    | 5 November 2009  | 10,000,000                    | —                         | —                           | —                                      | 10,000,000                  | 0.128                        | N/A            | 5 November 2009 to 4 November 2012   |
| Total directors                |                  | <u>90,750,000</u>             | <u>—</u>                  | <u>—</u>                    | <u>(2,000,000)</u>                     | <u>88,750,000</u>           |                              |                |                                      |

Note: Resigned as independent non-executive Director with effective on 1 June 2011.

# Management Discussion and Analysis

| Category          | Date of grant     | Number of share options       |                           |                             |  | Outstanding at 30 June 2011 | Exercise price per share HKD | Vesting period                   | Exercise period                        |
|-------------------|-------------------|-------------------------------|---------------------------|-----------------------------|--|-----------------------------|------------------------------|----------------------------------|--|
|                   |                   | Outstanding at 1 January 2011 | Granted during the Period | Exercised during the Period | Cancelled and lapsed during the Period |                             |                              |                                  |  |
| Employee          | 23 August 2007    | 3,333,334                     | —                         | —                           | —                                      | 3,333,334                   | 0.47                         | 23 August 2007 to 22 August 2010 | 23 August 2010 to 22 August 2011       |
|                   | 25 September 2009 | 24,333,333                    | —                         | —                           | —                                      | 24,333,333                  | 0.119                        | /A                               | 25 September 2009 to 24 September 2012 |
|                   | 24 November 2009  | 3,805,000                     | —                         | —                           | —                                      | 3,805,000                   | 0.146                        | N/A                              | 24 November 2009 to 23 November 2012   |
|                   | 3 June 2010       | 30,000,000                    | —                         | —                           | —                                      | 30,000,000                  | 0.121                        | N/A                              | 3 June 2010 to 2 June 2013             |
|                   | 18 June 2010      | 13,510,000                    | —                         | —                           | —                                      | 13,510,000                  | 0.125                        | N/A                              | 18 June 2010 to 17 June 2013           |
| Total employee    |                   | <u>74,981,667</u>             | <u>—</u>                  | <u>—</u>                    | <u>—</u>                               | <u>74,981,667</u>           |                              |                                  |  |
| Consultants       | 25 September 2009 | 39,000,000                    | —                         | —                           | —                                      | 39,000,000                  | 0.119                        | N/A                              | 25 September 2009 to 24 September 2012 |
|                   | 24 November 2009  | 103,900,000                   | —                         | —                           | —                                      | 103,900,000                 | 0.146                        | N/A                              | 24 November 2009 to 23 November 2012   |
|                   | 23 February 2010  | 2,695,000                     | —                         | —                           | —                                      | 2,695,000                   | 0.121                        | N/A                              | 23 February 2010 to 22 February 2013   |
|                   | 3 June 2010       | 204,000,000                   | —                         | —                           | —                                      | 204,000,000                 | 0.121                        | N/A                              | 3 June 2010 to 2 June 2013             |
|                   | 18 June 2010      | 20,000,000                    | —                         | —                           | —                                      | 20,000,000                  | 0.125                        | N/A                              | 18 June 2010 to 17 June 2013           |
| Total Consultants |                   | <u>369,595,000</u>            | <u>—</u>                  | <u>—</u>                    | <u>—</u>                               | <u>369,595,000</u>          |                              |                                  |  |
| Total             |                   | <u>535,326,667</u>            | <u>—</u>                  | <u>—</u>                    | <u>(2,000,000)</u>                     | <u>533,326,667</u>          |                              |                                  |  |

Save as disclosed above, the Company has no other options, warrant, derivatives, convertible notes or other securities of the Company convertible into or giving rights to subscribe for shares as at 30 June 2011.

# Management Discussion and Analysis

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the paragraph “SHARE OPTIONS” above, at no time during the Period was the Company or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## DIRECTORS’ INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed under the paragraph “MATERIAL ACQUISITIONS AND DISPOSALS AND FUTURE PLANS FOR MATERIAL INVESTMENT”, 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 Period or at any time during the Period.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2011, 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 of the Company had notified the Company of the 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/<br>nature of interest             | Number of<br>ordinary<br>shares<br>(Note 1) | Approximate<br>percentage<br>of interest |
|------------------------------|---|---|--|
| Hansom Group Limited         | Beneficial owner<br>(Note 2)                | 479,450,000 (L)                             | 13.95%                                   |
| Goodluck Overseas Limited    | Interest of controlled corporation (Note 2) | 479,450,000 (L)                             | 13.95%                                   |
| Mr. Zhou Qingzhi             | Interest of controlled corporation (Note 2) | 479,450,000 (L)                             | 13.95%                                   |
| Chi Capital Holdings Limited | Beneficial owner<br>(Note 3)                | 432,050,000 (L)                             | 12.57%                                   |
| Mr. Wong Chau Chi            | Beneficial owner<br>(Note 4)                | 26,750,000 (L)                              | 0.78%                                    |
|                              | Interest of controlled corporation (Note 3) | 432,050,000 (L)                             | 12.57%                                   |

Notes:

1. The letter “L” denotes the persons’ long positions in the shares of the Company.
2. These shares represent the same parcel of Shares. Mr. Zhou Qingzhi is deemed to be interested in these Shares by virtue of his 64.25% interest in Goodluck Overseas Limited and Goodluck Overseas Limited is deemed to be interested in these Shares by virtue of its entire interest in Hansom Group Limited.
3. These represent the same parcel of Shares.
4. Mr. Wong Chau Chi held share options of the Company which shall entitle Mr. Wong Chau Chi to subscribe for 26,750,000 Shares.

Save 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 or 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 30 June 2011.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

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

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

During the Period, the Company has adopted a 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 (“Model Code”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”). The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code throughout the Period and all the Directors confirmed that they have fully complied with the required standard set out in the Model Code during the Period.

## **CODE ON CORPORATE GOVERNANCE**

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (“CG Code”) contained in Appendix 14 to the Listing Rule. 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.

# Management Discussion and Analysis

During the Period, the Company has fully complied with the requirements under the CG Code, except for the deviation from Code Provision A.2.1 of the CG Code. The Company had been deviated from the Code Provision A.2.1 of 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 of the Company 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 year 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 benefit the Group if Mr. Wong is also in charge of overseeing the Company’s operations as its 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.

## **INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDIT COMMITTEE**

On 31 May 2011, the Board has re-designated Dr. Li Jun from a non-executive Director to an independent non-executive Director and he was also appointed as the member of the audit committee (“Audit Committee”) of the Company with effect from the same date. Moreover, Mr. Yu Kam Kee Lawrence has resigned as an independent non-executive Director and member of the Audit Committee with effective on 1 June 2011.

The Audit Committee was established by the Company on 5 July 2005 and it has adopted new written terms in order to comply with Rule 3.21 of the Listing Rules. The primary duties of the Audit Committee are to review and supervise the Company’s financial reporting process and internal controls. The Audit Committee comprises Mr. Shan Li and Dr. Li Jun, being independent non-executive Directors and Mr. Chou Tsan-Hsiung, a non-executive Director. Currently, Mr. Shan Li is the chairman of the Audit Committee.

## REVIEW OF ACCOUNTS

The Audit Committee has reviewed, with the management, the accounting principles and policies, audit, internal controls and financial reporting adopted by the Group, and the unaudited interim financial information for the Period and recommended its adoption by the Board. In addition, the Company's auditor, Deloitte Touche Tohmatsu has reviewed the unaudited interim financial information for the Period in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited interim financial information for the Period were approved by the Board on 31 August 2011.

For and on behalf of the Board  
**Wong Chau Chi**  
*Chairman*

Hong Kong, 31 August 2011

# Deloitte.

# 德勤

**TO THE BOARD OF DIRECTORS OF CMMB VISION HOLDINGS LIMITED**  
(incorporated in the Cayman Islands with limited liability)

## INTRODUCTION

We have reviewed the interim financial information set out on pages 3 to 21, which comprises the condensed consolidated statement of financial position of CMMB Vision Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as of 30 June 2011 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion 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.

## SCOPE OF REVIEW

Except as described in the Basis for Qualified Conclusion paragraph, we conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

## BASIS FOR QUALIFIED CONCLUSION

### Valuation of forward contract

As detailed in note 10 to the interim financial information, the Group entered into an equity transfer agreement on 2 September 2010 pursuant to which the Company (or its nominee) will acquire interests in China Mobile Multimedia Broadcasting projects through the acquisition of 30% equity interest in 北京富學傳媒文化有限公司 and 30% equity interest in 北京德神傳動廣告有限責任公司 (the “Transaction”) at a future date. Included in the condensed consolidated statement of financial position as at 30 June 2011 were deposits paid in respect of the Transaction with an aggregate carrying amount of US\$9,737,535. As at 30 June 2011, the agreement constitutes a forward contract to acquire investments in associates within the scope of Hong Kong Accounting Standard 39 “Financial Instruments: Recognition and Measurement” issued by the HKICPA which requires that it is accounted for at fair value on initial recognition and at the end of each reporting period. However, as further described in note 10 to the interim financial information, in the absence of a valuation as at 30 June 2011, we were unable to satisfy ourselves as to the fair value of the forward contract as at 30 June 2011 and its impact on the interim financial information. Any adjustments found to be necessary would affect the Group’s net liabilities as at 30 June 2011 and its loss for the six months then ended.

## QUALIFIED CONCLUSION ARISING FROM LIMITATION OF REVIEW SCOPE

Except for the possible effects of the matter described in the Basis for Qualified Conclusion paragraph, based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

## EMPHASIS OF MATTER

Without further qualifying our conclusion, we draw attention to note 1 to the interim financial information which indicates that the Group incurred a loss of US\$6,402,360 during the six months ended 30 June 2011 and as of that date, the Group’s liabilities exceeded its assets by US\$17,932,456. As further detailed in note 1 to the interim financial information, the Group has identified measures to improve its financial position, certain of which have not yet been implemented. The Group’s ability to continue as a going concern is dependent on the successful implementation of these measures. These conditions therefore indicate the existence of a material uncertainty that may cast significant doubt about the Group’s ability to continue as a going concern.

**Deloitte Touche Tohmatsu**  
Certified Public Accountants  
Hong Kong  
31 August 2011

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

|  | NOTES | Six months ended 30 June<br>2011<br>US\$<br>(unaudited) | 2010<br>US\$<br>(unaudited)<br>(restated) |
|--|-------|---|---|
| <b>Continuing operations</b>                           |       |   |   |
| Revenue  |       | —   | —   |
| Other loss and income                                  |       | (4,260)   | 187,776                                   |
| Administrative expenses                                |       | (549,699)   | (1,719,979)                               |
| Other expenses   |       | —   | (2,043,097)                               |
| Impairment loss on trade and<br>other receivables, net |       | —   | 484,326                                   |
| Finance costs  |       | (73)  | (14)                                      |
|  |       | <u>                    </u>                             | <u>                    </u>               |
| Loss for the period from<br>continuing operations      | 5     | (554,032)   | (3,090,988)                               |
| <b>Discontinued operations</b>                         |       |   |   |
| Loss for the period from<br>discontinued operations    | 6     | (5,848,328)   | (4,000,764)                               |
|  |       | <u>                    </u>                             | <u>                    </u>               |
| Loss for the period                                    |       | (6,402,360)   | (7,091,752)                               |
| <b>Other comprehensive (expense) income</b>            |       |   |   |
| Exchange differences arising<br>on translation         |       | (538,490)   | 33,336                                    |
|  |       | <u>                    </u>                             | <u>                    </u>               |
| Total comprehensive expense<br>for the period          |       | (6,940,850)   | (7,058,416)                               |
|  |       | <u>                    </u>                             | <u>                    </u>               |
|  |       | US cents  | US cents                                  |
| Loss per share   | 8     |   |   |
| From continuing and<br>discontinued operations         |       |   |   |
| – Basic and diluted                                    |       | (0.19)  | (0.26)                                    |
|  |       | <u>                    </u>                             | <u>                    </u>               |
| From continuing operations                             |       |   |   |
| – Basic and diluted                                    |       | (0.02)  | (0.12)                                    |
|  |       | <u>                    </u>                             | <u>                    </u>               |

# Condensed Consolidated Statement of Financial Position

At 30 June 2011

|   | NOTES | 30 June<br>2011<br>US\$ | 31 December<br>2010<br>US\$ |
|---|-------|-------------------------|-----------------------------|
| <b>NON-CURRENT ASSETS</b>   |       |                         |                             |
| Property, plant and equipment                                     | 9     | 14,933                  | 15,669,442                  |
| Prepaid lease payments -<br>non-current portion                   |       | —                       | 703,693                     |
| Investment property   |       | —                       | 1,990,403                   |
| Available-for-sale investments                                    |       | —                       | 27,505                      |
| Deposits paid on acquisition<br>of CMMB projects                  | 10    | 9,737,535               | 9,540,116                   |
| Other receivables   | 11    | 1,049,959               | 1,015,874                   |
|   |       | <b>10,802,427</b>       | <b>28,947,033</b>           |
| <b>CURRENT ASSETS</b>   |       |                         |                             |
| Inventories   |       | —                       | 1,192,921                   |
| Trade and other receivables                                       | 11    | 659,023                 | 2,788,563                   |
| Amounts due from related companies                                |       | 636,733                 | 511,604                     |
| Prepaid lease payments<br>- current portion                       |       | —                       | 16,993                      |
| Bank balances and cash  |       | 205,482                 | 3,957,006                   |
|   |       | <b>1,501,238</b>        | <b>8,467,087</b>            |
| Assets classified as held for sale                                | 6     | 18,372,359              | —                           |
|   |       | <b>19,873,597</b>       | <b>8,467,087</b>            |
| <b>CURRENT LIABILITIES</b>  |       |                         |                             |
| Trade and other payables  | 12    | 705,534                 | 14,541,878                  |
| Amount due to a related company                                   |       | —                       | 56,853                      |
| Other borrowings  | 13    | —                       | 120,797                     |
|   |       | <b>705,534</b>          | <b>14,719,528</b>           |
| Liabilities associated with assets<br>classified as held for sale | 6     | 47,902,946              | —                           |
|   |       | <b>48,608,480</b>       | <b>14,719,528</b>           |
| <b>NET CURRENT LIABILITIES</b>                                    |       |                         |                             |
|   |       | <b>(28,734,883)</b>     | <b>(6,252,441)</b>          |
|   |       | <b>(17,932,456)</b>     | <b>22,694,592</b>           |

# Condensed Consolidated Statement of Financial Position

At 30 June 2011

|                                      | NOTES | 30 June<br>2011<br>US\$    | 31 December<br>2010<br>US\$ |
|--------------------------------------|-------|----------------------------|-----------------------------|
| <b>CAPITAL AND RESERVES</b>          |       |                            |                             |
| Share capital                        | 14    | <b>4,436,315</b>           | 4,436,315                   |
| Share premium and reserves           |       | <b>(22,368,771)</b>        | (15,427,921)                |
|                                      |       | <u><b>(17,932,456)</b></u> | <u>(10,991,606)</u>         |
| <b>NON-CURRENT LIABILITIES</b>       |       |                            |                             |
| Bank borrowings - due after one year | 15    | —                          | 24,222,587                  |
| Other payables                       |       | —                          | 9,463,611                   |
|                                      |       | <u>—</u>                   | <u>33,686,198</u>           |
|                                      |       | <u><b>(17,932,456)</b></u> | <u><b>22,694,592</b></u>    |

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

|  | Share<br>capital<br>US\$ | Share<br>premium<br>US\$ | Merger<br>reserve<br>US\$<br>(note i) | Statutory<br>reserve<br>US\$<br>(note ii) | Distributable<br>reserve<br>US\$<br>(note iii) | Capital<br>reserve<br>US\$<br>(note iv) | Share<br>options<br>reserve<br>US\$ | Exchange<br>reserve<br>US\$ | Accumulated<br>losses<br>US\$ | Total<br>US\$ |
|--|--------------------------|--------------------------|---------------------------------------|---|--|---|-------------------------------------|-----------------------------|-------------------------------|---------------|
| As at 1 January 2010 (audited)   | 2,979,580                | 19,312,789               | 31,987,096                            | 6,391,242                                 | 18,464,516                                     | 1,639,897                               | 4,113,363                           | 12,677,093                  | (105,904,204)                 | (8,338,628)   |
| Exchange differences arising on translation                                | —                        | —                        | —                                     | —   | —  | —                                       | —                                   | 33,336                      | —                             | 33,336        |
| Loss for the period  | —                        | —                        | —                                     | —   | —  | —                                       | —                                   | —                           | (7,091,752)                   | (7,091,752)   |
| Total comprehensive income (expense) for the period                        | —                        | —                        | —                                     | —   | —  | —                                       | —                                   | 33,336                      | (7,091,752)                   | (7,058,416)   |
| Recognition of equity-settled share-based payments                         | —                        | —                        | —                                     | —   | —  | —                                       | 2,582,830                           | —                           | —                             | 2,582,830     |
| Forfeiture of share options  | —                        | —                        | —                                     | —   | —  | —                                       | (761,935)                           | —                           | 761,935                       | —             |
| Exercise of share options  | 7,226                    | 175,398                  | —                                     | —   | —  | —                                       | (77,127)                            | —                           | —                             | 105,497       |
| Issue of shares  | 710,123                  | 6,901,550                | —                                     | —   | —  | —                                       | —                                   | —                           | —                             | 7,611,673     |
| Transaction costs related to issue of shares and exercise of share options | —                        | (13,677)                 | —                                     | —   | —  | —                                       | —                                   | —                           | —                             | (13,677)      |
| As at 30 June 2010 (unaudited)   | 3,696,929                | 26,376,060               | 31,987,096                            | 6,391,242                                 | 18,464,516                                     | 1,639,897                               | 5,857,131                           | 12,710,429                  | (112,234,021)                 | (5,110,721)   |
| Exchange differences arising on translation                                | —                        | —                        | —                                     | —   | —  | —                                       | —                                   | (579,512)                   | —                             | (579,512)     |
| Loss for the period  | —                        | —                        | —                                     | —   | —  | —                                       | —                                   | —                           | (14,456,561)                  | (14,456,561)  |
| Total comprehensive expense for the period                                 | —                        | —                        | —                                     | —   | —  | —                                       | —                                   | (579,512)                   | (14,456,561)                  | (15,036,073)  |
| Recognition of equity-settled share-based payments                         | —                        | —                        | —                                     | —   | —  | —                                       | 4,304                               | —                           | —                             | 4,304         |
| Forfeiture of share options  | —                        | —                        | —                                     | —   | —  | —                                       | (60,766)                            | —                           | 60,766                        | —             |
| Issue of shares  | 739,386                  | 8,419,754                | —                                     | —   | —  | —                                       | —                                   | —                           | —                             | 9,159,140     |
| Transaction costs related to issue of shares and exercise of share options | —                        | (8,256)                  | —                                     | —   | —  | —                                       | —                                   | —                           | —                             | (8,256)       |
| As at 31 December 2010 (audited)   | 4,436,315                | 34,787,558               | 31,987,096                            | 6,391,242                                 | 18,464,516                                     | 1,639,897                               | 5,800,669                           | 12,130,917                  | (126,629,816)                 | (10,991,606)  |
| Exchange differences arising on translation                                | —                        | —                        | —                                     | —   | —  | —                                       | —                                   | (538,490)                   | —                             | (538,490)     |
| Loss for the period  | —                        | —                        | —                                     | —   | —  | —                                       | —                                   | —                           | (6,402,360)                   | (6,402,360)   |
| Total comprehensive expense for the period                                 | —                        | —                        | —                                     | —   | —  | —                                       | —                                   | (538,490)                   | (6,402,360)                   | (6,940,850)   |
| Forfeiture of share options  | —                        | —                        | —                                     | —   | —  | —                                       | (24,618)                            | —                           | 24,618                        | —             |
| As at 30 June 2011 (unaudited)   | 4,436,315                | 34,787,558               | 31,987,096                            | 6,391,242                                 | 18,464,516                                     | 1,639,897                               | 5,776,051                           | 11,592,427                  | (133,007,558)                 | (17,932,456)  |

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

## Notes:

- (i) 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 Ltd., a subsidiary of the Company acquired pursuant to a group reorganisation on 5 July 2005.
- (ii) Pursuant to the relevant regulations applicable to foreign investment enterprises established in the People's Republic of China (the "PRC"), certain PRC subsidiaries of the Company are required to transfer certain percent of its profit after taxation to the statutory reserve. The balances of the statutory reserve cannot be reduced except where approval is obtained from the relevant PRC authority to offset accumulated losses or increase capital.
- (iii) On 19 January 2009, an extraordinary general meeting of the Company was held and the resolutions of the reorganisation of the share capital of the Company involving reduction of the authorised share capital and issued share capital by reducing the nominal value of each share in issue from HK\$0.10 to HK\$0.01 and cancelling paid-up capital to the extent of HK\$0.09 for each issue share and the sub-division of each authorised and unissued shares of HK\$0.10 each into 10 unissued shares of HK\$0.01 each (the "Capital Reorganisation") were approved. The capital reduction amount as a result of the Capital Reorganisation was transferred to a distributable reserve account of the Company.
- (iv) Capital reserve represents of the capital contribution from the controlling shareholder of the Company through the shares granted by the controlling shareholders to the employees of the Company during the year ended 31 December 2006 and 2008.

# Condensed Consolidated Statement of Cash Flow

For the six months ended 30 June 2011

|  | <b>Six months ended 30 June</b> |             |
|--|---------------------------------|-------------|
|  | <b>2011</b>                     | 2010        |
|  | <b>US\$</b>                     | US\$        |
|  | <b>(unaudited)</b>              | (unaudited) |
| Net cash used in operating activities                                      | <b>(3,784,239)</b>              | (6,765,639) |
| Net cash (used in) from investing activities                               |                                 |             |
| Deposits paid on acquisition of CMMB projects                              | <b>(197,419)</b>                | (1,998,328) |
| Advance to related companies   | <b>(125,129)</b>                | —           |
| Purchase of property, plant and equipment                                  | <b>(23,095)</b>                 | (246,215)   |
| Proceeds from disposal of an available-for-sale investments                | —                               | 3,652,755   |
| Other investing cash flows   | <b>2,421</b>                    | (10,950)    |
|  | <b>(343,222)</b>                | 1,397,262   |
| Net cash from financing activities   |                                 |             |
| New other borrowings raised  | <b>506,833</b>                  | —           |
| Repayment of bank borrowings   | <b>(100,440)</b>                | —           |
| Proceeds from issue of shares  | —                               | 7,611,673   |
| Proceeds from exercise of share options                                    | —                               | 105,497     |
| Transaction costs related to issue of shares and exercise of share options | —                               | (13,677)    |
| Other financing cash flows   | <b>(13,973)</b>                 | (441,745)   |
|  | <b>392,420</b>                  | 7,261,748   |
| Net (decrease) increase in cash and cash equivalents                       | <b>(3,735,041)</b>              | 1,893,371   |
| Cash and cash equivalents at beginning of the period                       | <b>3,957,006</b>                | 2,721,621   |
| Effect of foreign exchange rate changes                                    | <b>45,996</b>                   | 28,326      |
| Cash and cash equivalents at end of the period                             | <b>267,961</b>                  | 4,643,318   |
| Represented by:  |                                 |             |
| Bank balances and cash   | <b>205,482</b>                  | 4,643,318   |
| Bank and cash equivalents included in assets classified as held for sale   | <b>62,479</b>                   | —           |
|  | <b>267,961</b>                  | 4,643,318   |

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of a loss of US\$6,402,360 for the six months ended 30 June 2011 and the fact that the Group’s liabilities exceeded its assets as at 30 June 2011 by US\$17,932,456.

In the opinion of the directors of the Company, the Group should be able to continue as a going concern in the coming year taking into consideration of the measures to improve its financial position, but are not limited to, the following:

- (a) On 30 March 2011, the Company entered into a sale and purchase agreement in connection with the disposal of subsidiaries to a related company which is controlled by Mr. Wong Chau Chi, Charles, a director and a substantial shareholder of the Company. The disposed subsidiaries are principally engaged in its loss making manufacturing and sales of rigid printed circuit boards and rigid printed circuit boards assembly (“PCB”) operations. As at 30 June 2011, the PCB operations recorded net liabilities (including intragroup balances due from the disposed subsidiaries to other entities in the Group of US\$12,706,026) of US\$42,236,613 as set out in note 6. If the disposal of PCB operations had been completed as at 30 June 2011, the Group would have recorded net assets of US\$11,598,131 and net current assets of US\$795,704 respectively. The disposal which is subject to the approval of the shareholders of the Company will be effected in order to improve the Group’s financial position and minimise net operating cash outflows from these loss-making segments to retain cash flows for the expansion of the Group’s China Mobile Multimedia Broadcasting (“CMMB”) business. The directors of the Company expect that the shareholders’ approval of the above disposal will be obtained soon after the expected issue of the Circular in connection with such disposal in September 2011 as disclosed in the announcement dated 15 August 2011.

## 1. BASIS OF PREPARATION *(Continued)*

- (b) In 2010, the Group entered into a strategic business development agreement with Motorola Inc. to jointly develop and promote CMMB technology in markets around the world. Pursuant to the agreement, the Group and Motorola Inc. will jointly globalise the adoption of CMMB technology to develop the platform needed to attract mobile network operators and broadcasters to launch CMMB-mobile video services in their respective markets, and to establish franchise operations for CMMB technology. On 15 March 2011, the Group, together with its partners in the United States of America (the “USA”), had successfully demonstrated live CMMB Mobile TV signals for the first time over cellular network frequencies from a cellular tower. The demonstration signified the Group’s first phase in developing CMMB and launching a commercial trial in the USA market.
- (c) On 2 September 2010, the Group contracted for an acquisition of two domestic companies in the People’s Republic of China (the “PRC”) which are principally engaged in CMMB business as set out in note 10 to the condensed consolidated financial statements. The investee companies had entered into cooperation agreements with domestic institutions to establish and operate provincial CMMB interactive multimedia channels in Liaoning, Yunnan and certain other provinces in the PRC.
- (d) During the period, the Group continued its current negotiation on potential acquisition and development of other CMMB projects, including entering into sale and purchase agreement dated 24 December 2010 and supplemental agreement dated 16 February 2011 to acquire 49% and 16% of the issued share capital of CMMB International Limited (“CMMB International”) at an aggregate consideration of US\$6,728,129, respectively from an independent third party and from Chi Capital Holdings Limited, a company which is controlled by Mr. Wong Chau Chi, Charles, a substantial shareholder and a director of the Company as set out in the note 19 and detailed in a circular issued by the Company on 15 April 2011. Upon completion of the acquisition of CMMB International, the Group can provide turnkey solutions to develop and promote CMMB technology and business platform in markets outside of the PRC and participate in service operations through local partnerships in oversea markets to build a global CMMB franchise and the Company intends to settle the acquisition through issue of shares in order to minimise its capital cost. The directors of the Company expect that the acquisition and development of these new CMMB projects will be completed by the end of 2011.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 1. BASIS OF PREPARATION *(Continued)*

- (e) As set out in note 3 to the condensed consolidated financial statements, the Group's business model has been shifted from a PCB manufacturer/trader to a CMMB services provider. The new business operation will require less capital investment in production facilities than manufacturing does which will help to improve the overall profit margin of the Group.
- (f) The Group plans to issue new capitals to raise additional funds to improve its liquidity position.

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

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

In the current interim period, the Group has applied, for the first time, the following new or revised standards and interpretations ("new or revised HKFRSs") issued by the HKICPA.

- Improvements to HKFRSs issued in 2010
- HKAS 24 (as revised in 2009) Related Party Disclosure
- Amendments to HKAS 32 Classification of Rights Issues
- Amendments to HK(IFRIC) - Int 14 Prepayments of a Minimum Funding Requirement
- HK(IFRIC) - Int 19 Extinguishing Financial Liabilities with Equity Instruments.

The application of the above new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

The Group has not early applied new or revised standards that have been issued but are not yet effective. The following new or revised standards have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and are not yet effective:

|                              |  |
|------------------------------|--|
| HKFRS 10                     | Consolidated Financial Statements <sup>1</sup>                   |
| HKFRS 11                     | Joint Arrangements <sup>1</sup>                                  |
| HKFRS 12                     | Disclosures of Interests in Other Entities <sup>1</sup>          |
| HKFRS 13                     | Fair Value Measurement <sup>1</sup>                              |
| HKAS 1 (Amendments)          | Presentation of Items of Other Comprehensive Income <sup>2</sup> |
| HKAS 19 (Revised 2011)       | Employee Benefits <sup>1</sup>                                   |
| HKAS 27 (as revised in 2011) | Separate Financial Statements <sup>1</sup>                       |
| HKAS 28 (as revised in 2011) | Investments in Associates and Joint Ventures <sup>1</sup>        |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2013.

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2012.

The five new or revised standards on consolidation, joint arrangements and disclosures were issued by the HKICPA in June 2011 and are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these new or revised standards are applied early at the same time.

The directors of the Company anticipate that the application of these new or revised standards will have no material impact on the results and the financial position of the Group.

## 3. SEGMENT INFORMATION

In prior periods, the Group involved in manufacturing and sales of rigid printed circuit boards and rigid printed circuit boards assembly. These operations were discontinued with effect from 30 March 2011 to realign the Group's business focus and resources in the CMMB business in line with the Group's latest business strategy (see note 6).

Since discontinuing the PCB operations, the Group's chief operating decision makers ("CODMs"), i.e. the Company's executive directors, review the Group's loss for the period and total assets from the continuing operations as a whole, which mainly represent CMMB business, for resource allocation and performance assessment. Accordingly, no further segment information was presented. CMMB business represents the development and investment in mobile multimedia broadcasting projects.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 4. TAXATION

No provision for Hong Kong Profits Tax and Taiwan Income Tax has been made as the Group's profit neither arises in, nor derived from Hong Kong and Taiwan.

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 subsidiaries of the Company which established in the PRC is 25% from 1 January 2008 onward. No provision for PRC income tax has been made in the condensed consolidated financial statements as all of the PRC subsidiaries did not have taxable income for both periods.

The EIT Law imposes withholding tax upon distribution of the profits earned by the PRC subsidiaries on or after 1 January 2008 to their shareholders. No deferred tax liability has been recognised in respect of such withholding tax due to absence of undistributed profits for both periods.

## 5. LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS

Loss for the period from continuing operations has been arrived at after charging (crediting):

|  | Six months ended 30 June |                           |
|--|--------------------------|---------------------------|
|  | 2011                     | 2010                      |
|  | US\$                     | US\$                      |
|  | (unaudited)              | (unaudited)<br>(restated) |
| Depreciation of property, plant and equipment                            | 2,490                    | 2,490                     |
| Interest on bank and other borrowings wholly repayable within five years | 73                       | 14                        |
| Share-based payments expenses to directors and employees                 | —                        | 539,733                   |
| Share-based payments expense to consultants (included in other expenses) | —                        | 2,043,097                 |
| Bank interest income   | (40)                     | (8,145)                   |

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 6. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE

On 30 March 2011, the Company entered into a sale and purchase agreement in connection with the disposal of the entire interest in Global Technology International Limited (“GTI”) and its subsidiaries (collectively referred to as the “Disposal Group”) at a consideration of HK\$1,000 (or equivalent to US\$129), to a related company which is controlled by Mr. Wong Chau Chi, Charles, a director and a substantial shareholder of the Company.

The disposal is subject to the approval of the shareholders of the Company, and the directors of the Company expect that the approval will be obtained in September 2011 as disclosed in the announcement dated 15 August 2011. The Group’s manufacturing and sales of rigid printed circuit boards and rigid printed circuit boards assembly operations are disclosed as discontinued operations. The comparative figures related to discontinued operations have been re-presented.

The assets and liabilities attributable to the Disposal Group have been classified as a disposal group held for sale and are separately presented in the condensed consolidated statement of financial position.

The results of the discontinued operations for both periods, which have been included in the condensed consolidated statement of comprehensive income, were as follows:

|  | Six months ended 30 June |             |
|--|--------------------------|-------------|
|  | 2011                     | 2010        |
|  | US\$                     | US\$        |
|  | (unaudited)              | (unaudited) |
|  |                          | (restated)  |
| Revenue  | <b>1,247,000</b>         | 5,897,164   |
| Cost of sales  | <b>(4,202,289)</b>       | (8,715,488) |
| Other income   | <b>202,688</b>           | 475,449     |
| Distribution and selling expenses  | <b>(96,900)</b>          | (138,769)   |
| Administrative expenses  | <b>(1,447,054)</b>       | (1,483,446) |
| Impairment loss on trade and other<br>receivables, net (recognised) reversed | <b>(823,432)</b>         | 710,438     |
| Gain on disposal on an available-for-sale<br>investments                     | —                        | 2,755       |
| Gain (loss) on disposal on property,<br>plant and equipment                  | <b>202,470</b>           | (9,618)     |
| Finance costs  | <b>(930,811)</b>         | (739,249)   |
| Loss for the period  | <b>(5,848,328)</b>       | (4,000,764) |

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 6. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE (Continued)

Loss for the period from discontinued operations include:

|  | Six months ended 30 June |                           |
|--|--------------------------|---------------------------|
|  | 2011                     | 2010                      |
|  | US\$                     | US\$                      |
|  | (unaudited)              | (unaudited)<br>(restated) |
| Depreciation of property, plant and equipment                            | 1,065,228                | 1,673,859                 |
| Depreciation of investment property                                      | 44,986                   | —                         |
| Interest on bank and other borrowings wholly repayable within five years | 930,811                  | 739,249                   |
| Release of prepaid lease payments  | 5,094                    | 228,049                   |
| Write-down (reversal of write-down) of inventories (Note (i))            | 92,690                   | (2,000,923)               |
| Bank interest income   | (2,381)                  | (50)                      |

During the period, the discontinued operations paid US\$2,427,107 (1.1.2010 to 30.6.2010: US\$4,013,327) in respect of the Group's operating activities, paid US\$20,174 (1.1.2010 to 30.6.2010: received US\$3,616,574) in respect of investing activities and received US\$392,493 (1.1.2010 to 30.6.2010: US\$104,411) in respect of financing activities.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 6. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE *(Continued)*

The major classes of assets and liabilities of the Disposed Group as at 30 June 2011, which have been presented separately in the condensed consolidated statement of financial position, are as follows:

|  | <b>30 June 2011</b> |
|--|---------------------|
|  | US\$                |
| Property, plant and equipment  | <b>14,918,661</b>   |
| Prepaid lease payments   | <b>732,366</b>      |
| Investment property  | <b>1,991,419</b>    |
| Available-for-sale investments   | <b>28,148</b>       |
| Trade and other receivables (note 11)  | <b>639,286</b>      |
| Bank balances and cash   | <b>62,479</b>       |
|  | <hr/>               |
| Total assets classified as held for sale   | <b>18,372,359</b>   |
|  | <hr/> <hr/>         |
| Trade and other payables (note 12)   | <b>22,526,615</b>   |
| Amount due to a related company  | <b>58,181</b>       |
| Other borrowings   | <b>630,449</b>      |
| Bank borrowings  | <b>24,687,701</b>   |
|  | <hr/>               |
| Total liabilities associated with assets classified<br>as held for sale                      | <b>47,902,946</b>   |
|  | <hr/> <hr/>         |
| Intragroup balance due from the Disposal Group<br>to other entities in the Group (Note (ii)) | <b>12,706,026</b>   |
|  | <hr/> <hr/>         |
| Net carrying amount of the Disposal Group  | <b>(42,236,613)</b> |
|  | <hr/> <hr/>         |

Notes:

- (i) During the six months ended 30 June 2011, as the carrying amounts of certain inventories exceeds their net realisable values. As a result, a written down of US\$92,690 had been recognised.

During the six months ended 30 June 2010, certain inventories previously written down in prior years to their net realisable values were sold at selling price higher than their carrying amounts. As a result, reversals of write down of inventories of US\$2,000,923 has been recognised.

- (ii) The balance continues to be repayable by the Disposal Group after the disposal. The directors of the Company consider that in view of financial position of the Disposal Group as set out above, this amount due from the Disposal Group is unlikely to be recoverable.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 7. DIVIDENDS

No dividends were paid, declared or proposed during both reporting periods.

## 8. BASIC AND DILUTED LOSS PER SHARE

### For continuing and discontinued operations

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

|   | Six months ended<br>30 June |                      |
|---|-----------------------------|----------------------|
|   | 2011                        | 2010                 |
|   | US\$                        | US\$                 |
|   | (unaudited)                 | (unaudited)          |
| Loss for the period for the purposes of<br>basic and diluted loss per share                           | <u>(6,402,360)</u>          | <u>(7,091,752)</u>   |
| Weighted average number of ordinary shares<br>for the purposes of basic and diluted<br>loss per share | <u>3,419,148,729</u>        | <u>2,683,411,077</u> |

### From continuing operations

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

|   | Six months ended<br>30 June |                    |
|---|-----------------------------|--------------------|
|   | 2011                        | 2010               |
|   | US\$                        | US\$               |
|   | (unaudited)                 | (unaudited)        |
| Loss for the period attributable to<br>owners of the Company  | (6,402,360)                 | (7,091,752)        |
| Less: loss for the period from<br>discontinued operations   | <u>5,848,328</u>            | <u>4,000,764</u>   |
| Loss for the period for the purposes of<br>basic and diluted loss per share<br>from continuing operations | <u>(554,032)</u>            | <u>(3,090,988)</u> |

## 8. BASIC AND DILUTED LOSS PER SHARE *(Continued)*

### From continuing operations *(Continued)*

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

The computation of diluted loss per share does not assume the exercise of the Company's outstanding share options as the exercise of share options would result in decrease in loss per share.

### From discontinued operations

Basic and diluted loss per share from the discontinued operations is US0.17 cents (1.1.2010 to 30.6.2010: US0.14 cents) per share, based on the loss for the period from the discontinued operations of US\$5,848,328 (1.1.2010 to 30.6.2010: US\$4,000,764) and the denominators detailed above for both basic and diluted loss per share.

## 9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group disposed of certain plant and machinery with a carrying amount of US\$27,939 for offset with other payable of US\$230,409, resulting in a gain on disposal of US\$202,470.

During the six months ended 30 June 2010, the Group wrote off certain plant and machinery with a carrying amount of US\$9,618.

In addition, the Group incurred approximately US\$23,506 (1.1.2010 to 30.6.2010: US\$164,000) as additions to machinery and equipment in the PRC.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 10. DEPOSITS PAID ON ACQUISITION OF CMMB PROJECTS

On 2 September 2010, the Company entered into an equity transfer agreement with an independent third party, pursuant to which the Company (or its nominee) will acquire interests in CMMB projects through the acquisition of 30% equity interest in 北京富學傳媒文化有限公司 (“Fuxue”) and 30% equity interest in 北京德神傳動廣告有限責任公司 (“Deshen”), both companies established under the laws of the PRC, for a total consideration of HK\$81,606,926 (equivalent to US\$10,529,926), which is payable as to HK\$15,351,026 (equivalent to US\$1,980,778) by way of cash and the balance of HK\$66,255,900 (equivalent to US\$8,549,148) by way of new issue of 530,047,200 ordinary shares of the Company at an issue price of HK\$0.125 per share. As at 31 December 2010, all the consideration shares had been issued and HK\$9,209,996 (equivalent to US\$1,188,387) of the cash consideration has been paid to the vendor.

In 2010, Fuxue signed binding service and cooperation agreements with China Broadcasting Company under the State Administration of Radio, Film, and Television in the PRC and China Educational Television, respectively, to jointly develop and operate certain local CMMB projects in different PRC cities. Details of the acquisition of these CMMB projects by Fuxue are set out in the announcement of the Company dated 3 September 2010, 27 September 2010 and 18 October 2010. The consideration paid on acquisition of the above CMMB projects through the acquisition of Fuxue was determined by reference to discounted cash flow analysis based on the Group’s assumptions of prevailing market conditions associated with the estimated future cash flows expected to generate from the CMMB projects.

The acquisitions of Fuxue and Deshen had been completed in late August 2011. HK\$6,141,030 (equivalent to US\$792,391) (31.12.2010: HK\$7,671,026 (equivalent to US\$980,810)) of the cash consideration being contracted for but not yet paid is included in capital commitment (see note 18) as at 30 June 2011 and remains outstanding up to the date of issuance of this report. The agreement constitutes a forward contract to acquire investments in associates within the scope of Hong Kong Accounting Standard 39 “Financial Instruments: Recognition and Measurement” which requires that it is accounted for at fair value on initial recognition and at the end of each reporting period. As at 31 December 2010, the fair value of the forward contract is considered to be financially insignificant. However, in the absence of a valuation as at 30 June 2011, the change in fair value of the forward contract, if any, has not been recognised in the profit or loss during the six months ended 30 June 2011 and the carrying amount of the forward contract as at 30 June 2011 continued to state at nil.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 11. TRADE AND OTHER RECEIVABLES

The Group generally allows an average credit period ranged from 30 days to 150 days to its trade customers. As at 30 June 2011, trade receivables and other receivables of US\$10,534 and US\$628,752 have been classified as part of the disposal group held for sale, respectively, as set out in note 6.

The following is an analysis of trade receivables by age, presented based on the invoice date. The analysis below included those classified as part of a disposal group held for sale, net of allowance for doubtful debts.

|   | <b>30 June<br/>2011<br/>US\$<br/>(unaudited)</b> | 31 December<br>2010<br>US\$<br>(audited) |
|---|--|--|
| Trade receivables:  |  |  |
| 31 - 60 days  | —  | 464,460                                  |
| 61 - 90 days  | —  | 584,840                                  |
| 91 - 120 days   | <b>544,673</b>                                   | 4,020                                    |
| Over 120 days   | <b>10,534</b>                                    | 196,294                                  |
|   | <hr/>  | <hr/>                                    |
|   | <b>555,207</b>                                   | 1,249,614                                |
| Other receivables and prepayments   | <b>743,102</b>                                   | 1,538,949                                |
|   | <hr/>  | <hr/>                                    |
|   | <b>1,298,309</b>                                 | 2,788,563                                |
| Less: Trade and other receivables classified<br>as part of a disposal group<br>held for sale (note 6) | <b>(639,286)</b>                                 | —  |
|   | <hr/>  | <hr/>                                    |
|   | <b>659,023</b>                                   | 2,788,563                                |
|   | <hr/> <hr/>                                      | <hr/> <hr/>                              |

As at 30 June 2011, other receivables included in non-current assets represented an advance to Fuxue of US\$1,049,959 (31.12.2010: US\$1,015,874) which is interest free, unsecured and repayable on demand. The directors of the Company consider that the amount will not be repaid within twelve months after the end of the reporting period.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 12. TRADE AND OTHER PAYABLES

As at 30 June 2011, trade payables and other payables of US\$5,664,936 and US\$16,861,679 have been classified as part of the disposal group held for sale, respectively, as set out in note 6.

The following is an analysis of trade payables by age, presented based on the invoice date. The analysis below includes those classified as part of a disposal group classified as held for sale.

|  | <b>30 June<br/>2011<br/>US\$<br/>(unaudited)</b> | 31 December<br>2010<br>US\$<br>(audited) |
|--|--|--|
| Trade payables:  |  |  |
| 0 - 90 days  | —  | 4,391,329                                |
| 91 - 120 days  | <b>121,082</b>                                   | 275,423                                  |
| 121 - 180 days   | <b>369,218</b>                                   | 546,533                                  |
| 181 - 365 days   | <b>1,444,051</b>                                 | 182,445                                  |
| Over 365 days  | <b>3,730,585</b>                                 | 3,164,133                                |
|  | <hr/>  | <hr/>                                    |
| Other payables   | <b>5,664,936</b>                                 | 8,559,863                                |
|  | <b>17,567,213</b>                                | 5,982,015                                |
|  | <hr/>  | <hr/>                                    |
|  | <b>23,232,149</b>                                | 14,541,878                               |
| Less: Trade and other payables classified<br>as part of a disposal group<br>held for sale (note 6) | <b>(22,526,615)</b>                              | —  |
|  | <hr/>  | <hr/>                                    |
|  | <b>705,534</b>                                   | 14,541,878                               |
|  | <hr/> <hr/>                                      | <hr/> <hr/>                              |

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 13. OTHER BORROWINGS

The other borrowing is unsecured, bears fixed interest rate at 10% per annum and repayable on demand. The amount has been classified as part of the disposal group held for sale as set out in note 6.

## 14. SHARE CAPITAL

|   | Number<br>of shares | Nominal<br>value<br>HK\$ | Shown<br>as<br>US\$ |
|---|---------------------|--------------------------|---------------------|
| Authorised:   |                     |                          |                     |
| Ordinary shares of<br>HK\$0.01 each<br>as at 1 January 2010,<br>30 June 2010,<br>31 December 2010<br>and 30 June 2011 | 50,000,000,000      | 500,000,000              |                     |
| Issued and fully paid:  |                     |                          |                     |
| Ordinary shares of<br>HK\$0.01 each<br>as at 1 January 2010   | 2,309,175,000       | 23,091,750               | 2,979,580           |
| Issue of new shares<br>(Note i)   | 550,345,000         | 5,503,450                | 710,123             |
| Exercise of share<br>options (Note 16)  | 5,600,000           | 56,000                   | 7,226               |
| As at 30 June 2010  | 2,865,120,000       | 28,651,200               | 3,696,929           |
| Issue of new shares<br>(Note ii)  | 573,024,000         | 5,730,240                | 739,386             |
| As at 31 December 2010<br>and 30 June 2011  | 3,438,144,000       | 34,381,440               | 4,436,315           |

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 14. SHARE CAPITAL (Continued)

Notes:

- (i) On 7 January 2010, the Company entered into a subscription agreement with subscribers for the subscription of an aggregate 200,000,000 new shares of the Company for an aggregate consideration of HK\$20,600,000 (equivalent to US\$2,658,065) at a subscription price of HK\$0.103 per ordinary share representing a discount of approximately 16% to the closing market price of HK\$0.123 per share of the Company on 7 January 2010.

On 28 January 2010, the Company entered into a subscription agreement with subscribers for the subscription of an aggregate 165,945,000 new shares of the Company for an aggregate consideration of HK\$17,922,060 (equivalent to US\$2,312,524) at a subscription price of HK\$0.108 per ordinary share representing a discount of approximately 11% to the closing market price of HK\$0.121 per share of the Company on 28 January 2010.

On 25 May 2010, the Company entered into a subscription agreement with subscribers for the subscription of an aggregate 184,400,000 new shares of the Company for an aggregate consideration of HK\$20,468,400 (equivalent to US\$2,641,084) at a subscription price of HK\$0.111 per ordinary share representing a discount of approximately 6% to the closing market price of HK\$0.118 per share of the Company on 25 May 2010.

- (ii) On 10 September 2010, as disclosed in note 10, the Company issued 530,047,200 new shares of HK\$0.125 per ordinary share to acquire 30% equity interests in Fuxue and Deshen. The issue price represented a discount of approximately 4% to the closing market price of HK\$0.13 per share of the Company on 10 September 2010.

On 2 December 2010, the Company entered into a subscription agreement with subscribers for the subscription of an aggregate 42,976,800 new shares of the Company for an aggregate consideration of approximately HK\$4,727,000 (equivalent to US\$609,992) at a subscription price of HK\$0.11 per ordinary share which approximated the closing market price of HK\$0.11 per share of the Company on 2 December 2010.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 15. BANK BORROWINGS

During the current period, no new bank loan was obtained and the Group made repayment of approximately US\$100,440. The loans at 30 June 2011 carry fixed interest at 4.78% (31.12.2010: 4.78%) per annum, and are repayable by three installments on 31 December 2012, 31 December 2013 and 31 December 2014, respectively, pursuant to the debt restructuring plan. All bank loans have been reclassified as part of the disposal group held for sale as set out in note 6.

## 16. SHARE-BASED PAYMENTS

The Company has a share option scheme for eligible directors, employees and consultants of the Group. Details of the share options outstanding during the current period are as follows:

|                                 | <b>Number of<br/>share options</b> |
|---------------------------------|------------------------------------|
| Outstanding at 1 January 2010   | 309,166,667                        |
| Granted during the period       | 286,955,000                        |
| Forfeited during the period     | (50,000,000)                       |
| Exercised during the period     | (5,600,000)                        |
|                                 | <hr/>                              |
| Outstanding at 30 June 2010     | 540,521,667                        |
| Forfeited during the period     | (5,195,000)                        |
|                                 | <hr/>                              |
| Outstanding at 31 December 2010 | 535,326,667                        |
| Forfeited during the period     | (2,000,000)                        |
|                                 | <hr/>                              |
| Outstanding at 30 June 2011     | <u><u>533,326,667</u></u>          |

During the six months ended 30 June 2010, the Group has recognised total expenses in condensed consolidated statement of comprehensive income of US\$2,582,830 (1.1.2011 to 30.6.2011: nil) related to equity-settled share-based payment transactions.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 17. MATERIAL LITIGATION

As at 30 June 2011, a subsidiary of the Company have been named as defendants in several PRC court actions in respect of default payment of payable to suppliers and creditors for an aggregate amount of approximately US\$3,166,000 (31.12.2010: US\$1,952,000). The claimed amounts were fully provided in the condensed consolidated financial statements and included in trade and other payables as part of a disposal group held for sale.

## 18. CAPITAL COMMITMENTS

|   | <b>30 June<br/>2011<br/>US\$<br/>(unaudited)</b> | 31 December<br>2010<br>US\$<br>(audited) |
|---|--|--|
| Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of CMMB projects | <b><u>7,520,520</u></b>                          | <u>7,924,958</u>                         |

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 19. RELATED PARTY DISCLOSURES

Save as disclosed in the condensed consolidated statement of financial position for those related party balances at the end of the reporting period, the Group had the following significant transactions with related parties during the period:

| Name of related parties | Nature of transactions | Six months ended 30 June |             |
|-------------------------|------------------------|--------------------------|-------------|
|                         |                        | 2011                     | 2010        |
|                         |                        | US\$                     | US\$        |
|                         |                        | (unaudited)              | (unaudited) |
| Chi Capital Partners    | Rental paid            | 283,935                  | 174,194     |
| Limited                 | Consultancy fee paid   | 15,484                   | 30,968      |

The Group entered into sale and purchase agreement dated 24 December 2010 and supplemental agreement dated 16 February 2011 to acquire a licensing right of CMMB technology through acquisition of 49% and 16% of the issued share capital of CMMB International from an independent third party and from Chi Capital Holdings Limited, respectively. The aggregate consideration of US\$6,728,129 by way of new issue of ordinary shares of the Company being contracted for but not yet paid is included in capital commitment (see note 18) as at 30 June 2011 and 31 December 2011 and remains outstanding up to the date of issuance of this report. Further details of this acquisition were set out in the announcements of the Company dated 24 December 2010, 31 December 2010 and 16 February 2011 and a circular dated on 15 April 2011.

In addition to above, during the six months ended 30 June 2011 and 2010, certain properties held by Mr. Wong Chau Chi, Charles, a substantial shareholder and a director of the Company, were occupied by a subsidiary for nil consideration.

Chi Capital Partners Limited and Chi Capital Holdings Limited are controlled by Mr. Wong Chau Chi, Charles, a substantial shareholder and a director of the Company.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 19. RELATED PARTY DISCLOSURES *(Continued)*

### Compensation of key management personnel

The remuneration of directors and key executives of the Group, as determined by the remuneration committee, having regard to the performance of individuals and market trends, were as follows:

|                      | Six months ended 30 June |                |
|----------------------|--------------------------|----------------|
|                      | 2011                     | 2010           |
|                      | US\$                     | US\$           |
|                      | (unaudited)              | (unaudited)    |
| Short-term benefits  | 86,102                   | 86,040         |
| Share-based payments | —                        | 175,512        |
|                      | <u>86,102</u>            | <u>261,552</u> |

## 20. EVENT AFTER THE REPORTING PERIOD

As set out in note 10, the acquisitions of Fuxue and Deshen have been completed in late August 2011. In absence of the financial information of Fuxue and Deshen as at the date of completion, which has not been available from these two companies up to the date of the issuance of this report, the financial effect of such acquisition cannot be reliably estimated.