China Networks International Holdings Ltd
Form 20-F
May 15, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report ___________

For the transition period from ___________ to ___________.

Commission file number: **001-34395**

CHINA NETWORKS INTERNATIONAL HOLDINGS LTD.

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into English)

British Virgin Islands

(Jurisdiction of incorporation or organization)

801,29F Block C,

Central International Trade Center,

6A Jian Guo Men Wai Avenue,

Chao Yang District

Beijing, PRC

(Address of principal executive offices)

Li Shuangqing

801,29F Block C,

Central International Trade Center,

6A Jian Guo Men Wai Avenue,

Chao Yang District

Beijing, PRC

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

None

Securities registered or to be registered pursuant to Section 12(g) of the Act.

Ordinary Shares, par value $0.0001 per share

Warrants to Purchase Ordinary Shares

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report (December 31, 2014): 83,158,778 ordinary shares.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

CHINA NETWORKS INTERNATIONAL HOLDINGS, LTD.

Annual Report on Form 20-F

For the Fiscal Year Ended December 31, 2014

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PART I

USE OF CERTAIN DEFINED TERMS

Except as otherwise indicated by the context, references in this annual report to:

"CNIH," "we," "us," or "our," and the "Company" are references to the combined business of China Networks International Holdings Ltd., a BVI company, and its consolidated subsidiaries and variable interest entities, including: China Networks, ANT, WFOE and Hetong;

"China Networks" are references to our wholly-owned subsidiary China Networks Media Ltd., a BVI company;

"ANT" are references to China Network's wholly-owned subsidiary Advertising Networks Ltd., a Hong Kong company;

"WFOE" are references to ANT's wholly-owned subsidiary Guangwang Tonghe Technology Consulting (Beijing) Co. Ltd., a PRC company;

"Hetong" are references to our variable interest entity, Beijing Guangwang Hetong Advertising & Media Co., Ltd., a PRC company;

"China" and "PRC," are references to the People's Republic of China;

"BVI," are references to the British Virgin Islands;

"Hong Kong," are references to the Hong Kong Special Administrative Region of China;

"RMB," are references to Renminbi, the legal currency of China;

"U.S. dollars," "$" and "US$," are references to the legal currency of the United States; and

"Securities Act," are references to the Securities Act of 1933, as amended, and references to "Exchange Act" are references to the Securities Exchange Act of 1934, as amended.

FORWARD-LOOKING INFORMATION

This annual report contains forward-looking statements and information relating to us that are based on the current beliefs, expectations, assumptions, estimates and projections of our management regarding our company and industry. When used in this annual report, the words "may", "will", "anticipate", "believe", "estimate", "expect", "intend", "pl similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. These statements reflect management's current view concerning future events and are subject to certain risks, uncertainties and assumptions, including among many others: our potential inability to achieve similar growth in future periods as we did historically, the emergence of additional competing technologies, changes in domestic and foreign laws, regulations and taxes, changes in economic conditions, uncertainties related to China's legal system and economic, political and social events in China, a general economic downturn, a downturn in the securities markets, and other risks and uncertainties which are generally set forth under Item 3, "Key information — Risk Factors" and elsewhere in this annual report. Should any of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described as anticipated, estimated or expected in this annual report.

All forward-looking statements included herein attributable to us or other parties or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Except to the extent required by applicable laws and regulations, we undertake no obligations to update these forward-looking statements to reflect events or circumstances after the date of this annual report or to reflect the occurrence of unanticipated events.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

Selected Consolidated Financial Data

The following table presents selected financial data regarding our business. It should be read in conjunction with our consolidated financial statements and related notes contained elsewhere in this annual report and the information under Item 5, "Operating and Financial Review and Prospects." The selected consolidated statement of income data for the Company's fiscal years ended December 31, 2014, 2013 and 2012, and the selected consolidated balance sheet data as of December 31, 2014 and 2013, have been derived from our audited restated consolidated financial statements that are included in this annual report beginning on page F-1. The selected statement of income data for the fiscal year ended December 31, 2011 and 2010 and the balance sheet data as of December 31, 2012, 2011 and 2010 have been derived from our combined financial statements of the Company's operating entities - Kunming Television Station-Advertising Centre and Yellow River Television Station-Advertising Centre that are not included in this annual report.

Our consolidated financial statements are prepared and presented in accordance with generally accepted accounting principles in the United States, or U.S. GAAP. The selected financial data information is only a summary and should be read in conjunction with the historical consolidated financial statements and related notes contained elsewhere herein. The financial statements contained elsewhere fully represent our financial condition and operations; however, they are not indicative of our future performance.

(In thousands of U.S. Dollars, except number of shares and per share data)

	Fiscal Year Ended December 31,				
	2010	2011	2012	2013	2014
Statement of Income Data:					
Net Revenue	$22,289,808	$-	$-	$-	$-
Operating income (loss)	3,237,054	(1,100,101)	(909,729)	(530,998)	(285,783)
Net income (loss) before non-controlling interest	(670,527)	(13,554,510)	(4,141,618)	(528,468)	(284,673)
Net income (loss)	(3,070,783)	(13,534,445)	(4,120,829)	(514,431)	(284,673)
Weighted average ordinary shares	32,826,462	65,940,384	83,109,978	83,109,978	83,173,778
Weighted average number of diluted ordinary shares	32,826,462	65,940,384	83,109,978	83,109,978	83,173,778
Basic income (loss) per share	$(0.09)	$(0.21)	$(0.05)	(0.01)	(0.008)
Diluted income (loss) per share	$(0.09)	$(0.21)	$(0.05)	(0.01)	(0.008)
Balance Sheet Data:					
Total current assets	$42,649,676	$8,170,617	$2,624,873	$1,115,548	$304,955
Total assets	48,923,840	8,182,561	2,632,224	1,118,429	304,955
Total current liabilities	23,631,483	1,825,013	2,252,146	2,243,605	2,304,751
Total liabilities	23,927,279	2,061,413	2,488,546	2,480,005	2,304,751
Non-controlling Interest	1,060,349	1,087,906	1,083,073	1,079,563	1,079,563
Shareholders’ equity (deficit)	23,936,212	5,033,242	(939,395)	(2,443,484)	(3,081,704)

Capitalization and Indebtedness

Not applicable.

Reasons for the Offer and Use of Proceeds

Not applicable.

Risk Factors

You should carefully consider the risks described below, which constitute the material risks facing us. If any of the following risks actually occur, our business could be harmed. You should also refer to the other information about us contained in this Annual Report, including our financial statements and related notes.

We currently have no business operations nor any revenues or earnings from operations.

We currently have no business operations or any revenues or earnings from operations. We currently have no significant assets or financial resources, and will, in all likelihood, continue to sustain operating expenses without corresponding revenues until the development of a new business plan or the consummation of a business combination.

Our proposed operations are purely speculative.

The success of our proposed plan of operation will depend to a great extent on the operations, financial condition and management of the identified target company. While business combinations with entities having established operating histories are preferred, there can be no assurance that we will be successful in locating candidates meeting these criteria. If we complete a business combination, the success of our operations will be dependent upon management of the target company and numerous other factors beyond our control. There is no assurance that we can identify a target company and consummate a business combination.

We may have significant difficulty in locating a viable business combination candidate.

We are and will continue to be an insignificant participant in the business of seeking mergers with and acquisitions of business entities. A large number of established and well-financed entities, including venture capital firms, are active in mergers and acquisitions of companies which may be merger or acquisition target candidates for us. Nearly all of these competitors have significantly greater financial resources, technical expertise and managerial capabilities than we do and, consequently, we will be at a competitive disadvantage in identifying possible business opportunities and successfully completing a business combination. Moreover, we will also compete with numerous other small public companies in seeking merger or acquisition candidates.

It is possible that the per share value of your stock will decrease upon the consummation of a business combination.

A business combination normally will involve the issuance of a significant number of additional shares. Depending upon the value of the assets acquired in a business combination, the per share value of our ordinary shares may decrease, perhaps significantly.

Any business combination that we engage in may have tax effects on us.

Federal and state tax consequences will, in all likelihood, be major considerations in any business combination that we may undertake. Currently, a business combination may be structured so as to result in tax-free treatment to both companies pursuant to various federal and state tax provisions. We intend to structure any business combination so as to minimize the federal and state tax consequences to both us and the target company; however, there can be no assurance that a business combination will meet the statutory requirements of a tax-free reorganization or that the parties will obtain the intended tax-free treatment upon a transfer of stock or assets. A non-qualifying reorganization could result in the imposition of both federal and state taxes which may have an adverse effect on both parties to the transaction.

Our ordinary shares are quoted on the OTC Market which may have an unfavorable impact on our stock price and liquidity.

Our ordinary shares are quoted on the OTC Market. The OTC Market is a significantly more limited market than the New York Stock Exchange or Nasdaq system. The quotation of our shares on the OTC Market may result in a less liquid market available for existing and potential shareholders to trade shares of our ordinary shares, could depress the trading price of our ordinary shares and could have a long-term adverse impact on our ability to raise capital in the future.

Future sales or perceived sales of our ordinary shares could depress our stock price.

A substantial number of shares of our ordinary shares held by our current shareholders are freely tradable. If the holders of these shares were to attempt to sell a substantial amount of their holdings at once, the market price of our ordinary shares could decline. Moreover, the perceived risk of this potential dilution could cause shareholders to attempt to sell their shares and investors to short the ordinary shares, a practice in which an investor sells shares that he or she does not own at prevailing market prices, hoping to purchase shares later at a lower price to cover the sale. As each of these events would cause the number of our ordinary shares for sale to increase, our ordinary shares market price would likely further decline.

We do not intend to pay dividends on our ordinary shares for the foreseeable future.

For the foreseeable future, we intend to retain any earnings to finance the development and expansion of our business, and we do not anticipate paying any cash dividends on our ordinary shares. Accordingly, investors must be prepared to rely on sales of their ordinary shares after price appreciation to earn an investment return, which may never occur. Investors seeking cash dividends should not purchase our ordinary shares. Any determination to pay dividends in the future will be made at the discretion of our board of directors and will depend on our results of operations, financial condition, contractual restrictions, restrictions imposed by applicable law and other factors our board deems relevant.

We are a "foreign private issuer," and have disclosure obligations that are different than those of U.S. domestic reporting companies so you should not expect to receive the same information about us at the same time as a U.S. domestic reporting company may provide.

We are a foreign private issuer and, as a result, we are not subject to certain of the requirements imposed upon U.S. domestic issuers by the SEC. For example, we are not required by the SEC or the federal securities laws to issue quarterly reports or proxy statements with the SEC. We are allowed four months following the end of our fiscal year to file our annual report with the SEC. We are not required to disclose certain detailed information regarding executive compensation that is required from U.S. domestic issuers. Further, our directors and executive officers are not required to report equity holdings under Section 16 of the Securities Act. As a foreign private issuer, we are also exempt from the requirements of Regulation FD (Fair Disclosure) which, generally, are meant to ensure that select groups of investors are not privy to specific information about an issuer before other investors. We are, however, still subject to the anti-fraud and anti-manipulation rules of the SEC, such as Rule 10b-5. Since many of the disclosure obligations required of us as a foreign private issuer are different than those required by other U.S. domestic reporting companies, our shareholders should not expect to receive information about us in the same amount and at the same time as information is received from, or provided by, other U.S. domestic reporting companies. We are liable for violations of the rules and regulations of the SEC which do apply to us as a foreign private issuer. Violations of these rules could affect our business, results of operations and financial condition.

You may have difficulty enforcing judgments obtained against us.

We are a BVI company and substantially all of our assets are located outside of the United States. Virtually all of our assets and a substantial portion of our current business operations are conducted in the PRC. In addition, almost all of our directors and officers are nationals and residents of countries other than the United States. A substantial portion of the assets of these persons are located outside the United States. As a result, it may be difficult for you to effect service of process within the United States upon these persons. It may also be difficult for you to enforce in U.S. courts judgments obtained in U.S. courts based on the civil liability provisions of the U.S. federal securities laws against us and our officers and directors, many of whom are not residents in the United States and whose assets are located in significant part outside of the United States. In addition, there is uncertainty as to whether the courts of the British Virgin Islands or the PRC would recognize or enforce judgments of U.S. courts against us or such persons predicated upon the civil liability provisions of the securities laws of the United States or any state. In addition, it is uncertain whether such British Virgin Islands or PRC courts would be competent to hear original actions brought in the British Virgin Islands or the PRC against us or such persons predicated upon the securities laws of the United States or any state.

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Failure to comply with PRC regulations relating to the investment in offshore special purpose companies by PRC residents may subject our PRC resident stockholders to personal liability, limit our ability to acquire PRC companies or to inject capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to distribute profits to us or otherwise materially adversely affect us.

On July 14, 2014, SAFE issued the Circular on Relevant Issues Relating to Domestic Residents' Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or Circular 37, which replaced the Circular 75, promulgated by SAFE on October 21, 2005. Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in Circular 37 as a "special purpose vehicle."

We have notified substantial beneficial owners of our company who we know are PRC residents to comply with the registration obligation. However, we may not be aware of the identities of all our beneficial owners who are PRC residents. In addition, we do not have control over our beneficial owners and cannot assure you that all of our PRC resident beneficial owners will comply with Circular 37. The failure of our beneficial owners who are PRC residents to register or amend their SAFE registrations in a timely manner pursuant to Circular 37 or the failure of future beneficial owners of our company who are PRC residents to comply with the registration procedures set forth in Circular 37 may subject such beneficial owners or our PRC subsidiaries to fines and legal sanctions. Failure to register or amend the registration may also limit our ability to contribute additional capital to our PRC subsidiaries or receive dividends or other distributions from our PRC subsidiaries or other proceeds from disposal of our PRC subsidiaries, or we may be penalized by SAFE. These risks may have a material adverse effect on our business, financial condition and results of operations.

The Security Review Rules may make it more difficult for us to make future acquisitions or dispositions of our business operations or assets in China.

The Security Review Rules, effective as of September 1, 2011, provides that when deciding whether a specific merger or acquisition of a domestic enterprise by foreign investors is subject to the national security review by MOFCOM, the principle of substance-over-form should be applied and foreign investors are prohibited from circumventing the national security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions. If the business of any target company that we plan to acquire falls within the scope subject to national security review, we may not be able to successfully acquire such company by equity or asset acquisition, capital increase or even through any contractual arrangement.

Under the Enterprise Income Tax Law, we may be classified as a "resident enterprise" of China. Such classification will likely result in unfavorable tax consequences to us and our non-PRC shareholders.

On March 16, 2007, the National People's Congress of China passed a new Enterprise Income Tax Law, or the EIT Law, and on November 28, 2007, the State Council of China passed its implementing rules, which took effect on January 1, 2008. Under the EIT Law, an enterprise established outside of China with "de facto management bodies" within China is considered a "resident enterprise," meaning that it can be treated in a manner similar to a Chinese enterprise for enterprise income tax purposes. The implementing rules of the EIT Law define de facto management as "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise.

On April 22, 2009, the State Administration of Taxation issued the Notice Concerning Relevant Issues Regarding Cognizance of Chinese Investment Controlled Enterprises Incorporated Offshore as Resident Enterprises pursuant to Criteria of de facto Management Bodies, or the Notice, further interpreting the application of the EIT Law and its implementation non-Chinese enterprise or group controlled offshore entities. Pursuant to the Notice, an enterprise incorporated in an offshore jurisdiction and controlled by a Chinese enterprise or group will be classified as a "non-domestically incorporated resident enterprise" if (i) its senior management in charge of daily operations reside or perform their duties mainly in China; (ii) its financial or personnel decisions are made or approved by bodies or persons in China; (iii) its substantial assets and properties, accounting books, corporate chops, board and shareholder minutes are kept in China; and (iv) at least half of its directors with voting rights or senior management often resident in China. A resident enterprise would be subject to an enterprise income tax rate of 25% on its worldwide income and must pay a withholding tax at a rate of 10% when paying dividends to its non-PRC shareholders. However, it remains unclear as to whether the Notice is applicable to an offshore enterprise incorporated by a Chinese natural person. Nor are detailed measures on imposition of tax from non-domestically incorporated resident enterprises are available. Therefore, it is unclear how tax authorities will determine tax residency based on the facts of each case.

We may be deemed to be a resident enterprise by Chinese tax authorities. If the PRC tax authorities determine that we are a "resident enterprise" for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. First, we may be subject to the enterprise income tax at a rate of 25% on our worldwide taxable income as well as PRC enterprise income tax reporting obligations. In our case, this would mean that income such as interest on financing proceeds and non-China source income would be subject to PRC enterprise income tax at a rate of 25%. Second, although under the EIT Law and its implementing rules dividends paid to us from our PRC subsidiaries would qualify as "tax-exempt income," we cannot guarantee that such dividends will not be subject to a 10% withholding tax, as the PRC foreign exchange control authorities, which enforce the withholding tax, have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as resident enterprises for PRC enterprise income tax purposes. Finally, it is possible that future guidance issued with respect to the new "resident enterprise" classification could result in a situation in which a 10% withholding tax is imposed on dividends we pay to our non-PRC shareholders and with respect to gains derived by our non-PRC stockholders from transferring our shares.

If we were treated as a "resident enterprise" by PRC tax authorities, we would be subject to taxation in both the U.S. and China, and our PRC tax may not be creditable against our U.S. tax.

We face uncertainty from China's Circular on Strengthening the Administration of Enterprise Income Tax on NonResident Enterprises' Share Transfer that was released in December 2009 with retroactive effect from January 1, 2008.

The Chinese State Administration of Taxation, or SAT, released a circular on December 15, 2009 that addresses the transfer of shares by nonresident companies, generally referred to as Circular 698. Circular 698, which is effective retroactively to January 1, 2008, may have a significant impact on many companies that use offshore holding companies to invest in China.

Circular 698, which provides parties with a short period of time to comply with its requirements, indirectly taxes foreign companies on gains derived from the indirect sale of a Chinese company. Where a foreign investor indirectly transfers equity interests in a Chinese resident enterprise by selling the shares in an offshore holding company, and the latter is located in a country or jurisdiction where the effective tax burden is less than 12.5% or where the offshore income of his, her, or its residents is not taxable, the foreign investor is required to provide the tax authority in charge of that Chinese resident enterprise with the relevant information within 30 days of the transfers. Moreover, where a foreign investor indirectly transfers equity interests in a Chinese resident enterprise through an abuse of form of organization and there are no reasonable commercial purposes such that the corporate income tax liability is avoided, the PRC tax authority will have the power to re-assess the nature of the equity transfer in accordance with PRC's "substance-over-form" principle and deny the existence of the offshore holding company that is used for tax planning purposes. There is uncertainty as to the application of Circular 698. For example, while the term "indirectly transfer" is not defined, it is understood that the relevant PRC tax authorities have jurisdiction regarding requests for information over a wide range of foreign entities having no direct contact with China. Moreover, the relevant authority has not yet promulgated any formal provisions or formally declared or stated how to calculate the effective tax in the country or jurisdiction and to what extent and the process of the disclosure to the tax authority in charge of that Chinese resident enterprise. In addition, there are not any formal declarations with regard to how to decide “abuse of form of organization” and “reasonable commercial purpose,” which can be utilized by us to balance if our Company complies with the Circular 698. As a result, we may become at risk of being taxed under Circular 698 and we may be required to expend valuable resources to comply with Circular 698 or to establish that we should not be taxed under Circular 698, which could have a material adverse effect on our financial condition and results of operations.

We may be exposed to liabilities under the Foreign Corrupt Practices Act and Chinese anti-corruption laws, and any determination that we violated these laws could have a material adverse effect on our business.

We are subject to the Foreign Corrupt Practice Act, or FCPA, and other laws that prohibit improper payments or offers of payments to foreign governments and their officials and political parties by U.S. persons and issuers as defined by the statute, for the purpose of obtaining or retaining business. We have operations, agreements with third parties, and make most of our sales in China. The PRC also strictly prohibits bribery of government officials. Our activities in China create the risk of unauthorized payments or offers of payments by the employees, consultants, sales agents, or distributors of our Company, even though they may not always be subject to our control. It is our policy to implement safeguards to discourage these practices by our employees. However, our existing safeguards and any future improvements may prove to be less than effective, and the employees, consultants, sales agents, or distributors of our Company may engage in conduct for which we might be held responsible. Violations of the FCPA or Chinese anti-corruption laws may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could negatively affect our business, operating results and financial condition. In addition, the U.S. government may seek to hold our Company liable for successor liability FCPA violations committed by companies in which we invest or that we acquire.

If we become directly subject to the recent scrutiny, criticism and negative publicity involving U.S.-listed Chinese companies, we may have to expend significant resources to investigate and resolve the matter which could harm our business operations, stock price and reputation and could result in a loss of your investment in our stock, especially if such matter cannot be addressed and resolved favorably.

Recently, U.S. public companies that have substantially all of their operations in China, particularly companies like us which have completed so-called reverse merger transactions, have been the subject of intense scrutiny, criticism and negative publicity by investors, financial commentators and regulatory agencies, such as the SEC. Much of the scrutiny, criticism and negative publicity has centered around financial and accounting irregularities and mistakes, a lack of effective internal controls over financial accounting, inadequate corporate governance policies or a lack of adherence thereto and, in many cases, allegations of fraud. As a result of the scrutiny, criticism and negative publicity, the publicly traded stock of many U.S. listed Chinese companies has sharply decreased in value and, in some cases, has become virtually worthless. Many of these companies are now subject to shareholder lawsuits and SEC enforcement actions and are conducting internal and external investigations into the allegations. It is not clear what effect this sector-wide scrutiny, criticism and negative publicity will have on our Company, our business and our stock price. If we become the subject of any unfavorable allegations, whether such allegations are proven to be true or untrue, we will have to expend significant resources to investigate such allegations and/or defend our company. This situation will be costly and time consuming and distract our management from growing our company.

The disclosures in our reports and other filings with the SEC and our other public pronouncements are not subject to the scrutiny of any regulatory bodies in the PRC. Accordingly, our public disclosure should be reviewed in light of the fact that no governmental agency that is located in China where substantially all of our operations and business are located have conducted any due diligence on our operations or reviewed or cleared any of our disclosure.

We are regulated by the SEC and our reports and other filings with the SEC are subject to SEC review in accordance with the rules and regulations promulgated by the SEC under the Securities Act and the Exchange Act. Unlike public reporting companies whose operations are located primarily in the United States, however, substantially all of our operations are located in China. Since substantially all of our operations and business takes place in China, it may be more difficult for the staff of the SEC to overcome the geographic and cultural obstacles that are present when reviewing our disclosure. These same obstacles are not present for similar companies whose operations or business take place entirely or primarily in the United States. Furthermore, our SEC reports and other disclosure and public pronouncements are not subject to the review or scrutiny of any PRC regulatory authority. For example, the disclosure in our SEC reports and other filings are not subject to the review of the China Securities Regulatory Commission, a PRC regulator that is tasked with oversight of the capital markets in China. Accordingly, you should review our SEC reports, filings and our other public pronouncements with the understanding that no local regulator has done any due diligence on our company and with the understanding that none of our SEC reports, other filings or any of our other public pronouncements has been reviewed or otherwise been scrutinized by any local regulator.

Because we are incorporated under the laws of the BVI, it may be more difficult for our shareholders to protect their rights than it would be for a shareholder of a corporation incorporated in another jurisdiction.

Our corporate affairs are governed by our memorandum and articles of Association and by the BVI Companies Act, 2004 (as amended) of the BVI. Principles of law relating to such matters as the validity of corporate procedures, the fiduciary duties of management and the rights of our shareholders differ from those that would apply if we were incorporated in the United States or another jurisdiction. The rights of shareholders under BVI law are not as clearly established as are the rights of shareholders in many other jurisdictions. Under the laws of most jurisdictions in the United States, majority and controlling shareholders generally have certain fiduciary responsibilities to the minority shareholders. Shareholder action must be taken in good faith, and actions by controlling shareholders which are obviously unreasonable may be declared null and void. BVI law protecting the interests of minority shareholders may not be as protective in all circumstances as the law protecting minority shareholders in US jurisdictions. In addition, the circumstances in which a shareholder of a BVI company may sue the company derivatively, and the procedures and defenses that may be available to the company, may result in the rights of shareholders of a BVI company being more limited than those of shareholders of a company organized in the US. Furthermore, our directors have the power to take certain actions without shareholder approval which would require shareholder approval under the laws of most US jurisdictions. The directors of a BVI corporation, subject in certain cases to court approval but without shareholder approval, may implement a reorganization, merger or consolidation, the sale of any assets, property, part of the business, or securities of the corporation. The ability of our board of directors to create new classes or series of shares and the rights attached by amending our memorandum of association and articles of association without shareholder approval could have the effect of delaying, deterring or preventing a change in our control without any further action by the shareholders, including a tender offer to purchase our ordinary shares at a premium over then current market prices. Thus, our shareholders may have more difficulty protecting their interests in the face of actions by our board of directors or our controlling shareholders than they would have as shareholders of a corporation incorporated in another jurisdiction.

We may be classified as a passive foreign investment company, which could result in adverse United States federal income tax consequences to U.S. shareholders.

We do not currently expect to be classified as a “passive foreign investment company,” or PFIC, for United States federal income tax purposes for our tax year ending December 31, 2015. However, the PFIC test is an annual test that, as discussed below, depends upon the composition of our gross income for the year and the percentage, based on a quarterly average for the year, of our gross assets that constitutes “passive” assets. Accordingly, it is not possible to determine whether we will not be classified as a PFIC for our tax year ending December 31, 2015 until after the year has ended. In addition, even if we are not classified as a PFIC for our taxable year ending December 31, 2015, because the PFIC test is annual, we cannot assure you that we will not be a PFIC for any following tax year. A non-U.S. corporation will be classified as a PFIC for the taxable year if (i) at least 75% of its gross income is passive income for such year or (ii) at least 50% of the fair market value of its assets (based on an average of the quarterly values of the assets during such year) is attributable to assets that produce or are held for the production of passive income. The fair market value of our assets may be determined to a large extent by the market price of our ordinary shares, which may fluctuate. Furthermore, how we spend as well as how quickly we spend the proceeds from offerings will affect the composition of our income and assets. If we are treated as a PFIC for any tax year during which U.S. shareholders hold ordinary shares, certain adverse United States federal income tax consequences could apply to such U.S. holders. See Item 10, “Additional Information — Taxation — U.S. Federal Income Taxation — Passive Foreign Investment Company Rules.”

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

We were incorporated in Delaware on August 16, 2006 as Alyst Acquisition Corp. in order to serve as a vehicle for the acquisition of an operating business in any industry, with a focus on the telecommunications industry, through a merger, capital stock exchange, asset acquisition or other similar business combination. Our initial shareholders purchased 1,750,000 shares of common stock, par value $0.0001 per share in a private placement. On July 5, 2007, Alyst consummated its initial public offering, or IPO, of 8,044,400 of its units, or Units. Each Unit consisted of one share of Common Stock and one warrant to purchase one share of Common Stock at an exercise price of $5.00 per share. Simultaneously with the consummation of the IPO, Alyst (i) consummated a private placement of 1,820,000 warrants to the original sponsors, officers and directors, and certain of their affiliates of Alyst, each warrant entitled upon exercise to one share of Common Stock at an exercise price of $5.00 per share, and (ii) issued to the representatives of the underwriters in the IPO an option to purchase 300,000 of its units, or the UPO, at an exercise price of $10.00 per unit. The units issuable upon exercise of the UPO were identical to the Units, except that the exercise price of the underlying warrants is $7.50 per share.

On June 25, 2009, we completed a business combination pursuant to which Alyst merged with and into CNIH, its wholly-owned subsidiary, to effect its redomestication to the British Virgin Islands. On June 26, 2009, China Networks Merger Co., Ltd., our wholly-owned British Virgin Islands subsidiary, merged with and into China Networks, resulting in China Networks becoming our wholly-owned subsidiary. We refer to the foregoing transactions herein as the Business Combination, and the merger agreement pursuant to which the Business Combination was consummated as the Merger Agreement. CNIH and its subsidiary, China Networks, are the surviving entities of the Business Combination.

Upon consummation of the Business Combination, CNIH had outstanding 12,927,888 ordinary shares, par value $0.0001 per share, 9,864,400 warrants, and the UPO for 300,000 units, each unit containing one ordinary share and one warrant.

As of the effective time of the Business Combination, there were 8,044,400 public warrants outstanding. Each warrant entitles the holder to purchase one ordinary share. In order to obtain the shares, the holders of the warrants must pay an exercise price of $5.00 per share. We may redeem the warrants at a price of $0.01 per warrant upon a minimum of 30 days' prior written notice of redemption if, and only if, the last sale price of our ordinary shares equals or exceeds $11.50 per share for any 20 trading days within a 30 trading day period ending three business days before we send the notice of redemption.

The 1,820,000 insider warrants outstanding at the effective time of the Business Combination became exercisable into ordinary shares after September 27, 2009, the date that was 90 days after consummation of the Business Combination. The insider warrants have terms and provisions that are identical to the public warrants, except that they may be exercised on a cashless basis if the warrants are redeemed at our option under the same conditions applicable to the public warrant holders and, at such time, are held by the initial holders.

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In connection with the consummation of the Business Combination: (i) the former class A preferred shareholders of China Networks received one ordinary share of CNIH for each class A preferred share of China Networks for an aggregate of 980,000 ordinary shares; and (ii) the representatives of the underwriters in Alyst's IPO received an aggregate of 253,488 ordinary shares in lieu of payment of certain fees. The 1,750,000 ordinary shares held by the former Alyst insiders are subject to a stock escrow agreement entered into at the time of issuance in 2006 and, unless such restrictions are modified or waived, such shares are not transferrable until the earlier or June 19, 2010, the date that is 12 months following the consummation of the Business Combination, or the consummation of a merger, business combination, liquidation or similar transaction (subsequent to the Business Combination) which results in all of our shareholders having the right to exchange their ordinary shares for cash, securities or other property.

Following the Business Combination we, through our subsidiaries and variable interest entities, provided broadcast television advertising services in the PRC and operated joint-venture partnerships with PRC televisions stations in regional areas of the country. We managed these regional businesses through a series of joint ventures and contractual arrangements to sell broadcast television advertising time slots and so-called "soft" advertising opportunities to local advertisers directly and through advertising agencies and brokers, and also assisted the PRC television stations in selling advertising time slots and "soft" advertising opportunities to national advertisers, specifically by offering multi-region campaigns to maximize value and cut costs these national advertisers would otherwise face when dealing with individual stations on a station-by-station basis.

In September 2010, we entered into an equity transfer agreement whereby ANT sold all of its equity ownership in Kunming Taishi Information Cartoon Co., Ltd., a PRC company, or Kunming JV, to Kunming TV Station our 50% joint venture partner, upon approval of the Chinese authorities. This discussion was initiated due to the recent restructuring of Kunming TV station, and the PRC government's intent to integrate its television advertising assets. As a result of the agreement, the total transfer price for the equity stake exchange was RMB 150,000,000 with the first installment of RMB 75,000,000 paid by Kunming TV in January 2011. The Company gave notice in January 2011 of the redemption of its convertible debentures issued in April 13, 2010. The aggregate amount of the Debentures being redeemed represented the entire outstanding principal of the Debentures. In addition, the Company gave notice to pay all outstanding interest owed on the debentures in ordinary shares of the Company. In May 2011, the remaining funds from the first installment were utilized for the redemption of an aggregate of 4,028,690 of the Company's Preferred Shares. Upon receipt of the second installment of RMB 30,000,000 paid by Kunming TV, the Company redeemed an aggregate of 4,706,807 of its Preferred Shares on November 31, 2011, and upon receipt of the third installment of RMB 30,000,000 paid by Kunming TV in April 2012, the Company redeemed an aggregate of 1,575,000 of its Preferred Shares. The fourth installment of RMB 10,000,000 was paid by Kunming TV in March, 2012. The remaining RMB 5,000,000 due from Kunming TV was received by the Company in June 2012, and the funds will be partially used to redeem all remaining outstanding Preferred Shares.

In January 2011, China Yellow River Television Station, the Company's joint venture partner in Shanxi Yellow River and Advertising Networks Cartoon Technology Co., Ltd., or Yellow River JV, was consolidated by merger into Shanxi Radio and TV Station, or Shanxi TV, a PRC state-owned entity, and Shanxi TV was the successor to all of China Yellow River Television Station's obligations under the joint venture agreements. Upon consummation of the merger, Shanxi TV immediately and unilaterally terminated the cooperation agreement that established the Yellow River JV and transferred the advertising business of the Yellow River JV to its own internal advertising department.

The Company believes that Shanxi's actions constituted a direct violation of the cooperation agreement which granted to the Yellow River JV the exclusive and irrevocable right to operate China Yellow River Television Station's advertising business.

In connection with the termination of the cooperation agreement and the transfer of the advertising business, Shanxi TV has also taken, as its own, the RMB 45,000,000 of registered capital contributed by the Company to the Yellow River JV. While the Company acknowledges the right of the PRC government to change policies and rules with respect to agreements with state-owned entities, such as Shanxi TV, however the Company believes that the RMB 45,000,000 contributed to the Yellow River JV by the Company must be returned to the Company. The Company has attempted, in good faith, to negotiate a settlement with respect to the funds, however, to date Shanxi TV has refused to return the funds to the Company or enter into any settlement agreement.

In addition to attempts at negotiating directly with Shanxi TV, the Company filed an application for arbitration with the China International Economic Trade Arbitration Commission, or CIETAC, in October 2011. Shanxi TV filed its response in January 2012, and challenged CIETAC's jurisdiction over the dispute, though withdrew the application in March 2012. Since the submission of the Company's application for arbitration, CIETAC held two hearings and initially indicated that it would render a decision by August 21, 2102. However, this deadline was extended on three separate occasions. For strategic purposes, the Company submitted a withdrawal application to CIETAC on February 17, 2013 and CIETAC rendered a withdrawal decision on March 18, 2013. On December 12, 2013, the Company filed two applications for arbitration with CIETAC in an attempt to resolve the aforementioned disputes. There is no substantive progress been made during 2014 regarding the two arbitration applications. They are still pending for the arbitration procedures, among which the first hearing of the two arbitration cases was cancelled on 8 May, 2015, due to the absence of two arbitrators and no new date has been reset for the hearing.

If the Company is successful in securing the return of part or all of the RMB 45,000,000 that we believe is owed to us from Shanxi TV, a portion of the funds will be used to redeem all or a portion of the Class A Preferred Shares that remain outstanding at such time.

B. Business Overview

We are currently a shell company in the British Virgin Islands with non-operating subsidiaries ANT, a Hong Kong company, WFOE, a PRC company, and Hetong, a PRC company and a variable interest entity. At present, in addition to pursuing a remedy to the dispute with Shanxi TV, the Company is exploring options with respect to future business operations. The Company may decide to seek a potential business combination with one or more yet to be identified privately held companies, or may determine that it is in the best interests of the Company and its shareholders to attempt to engage in another business through its subsidiaries and variable interest entities in China.

If management determines that it is in the best interests of the Company and its shareholders to enter into a business combination, we will not be restricted in our search for business combination candidates to any particular geographical area, industry or industry segment, and may enter into a combination with a private business engaged in any line of business. Management's discretion is, as a practical matter, unlimited in the selection of a combination candidate.

If we effect a business combination with any entity unaffiliated with our current management, our current officers and directors probably will resign their directorship and officer positions with us in connection with our consummation of a business combination. In such an instance, our current management will not have any control over the conduct of our business following the completion of a business combination.

It is anticipated that prospective business opportunities will come to our attention from various sources, including our management, our other stockholders, professional advisors such as attorneys and accountants, securities broker-dealers, venture capitalists, members of the financial community, and others who may present unsolicited proposals. We do not have any plans, understandings, agreements, or commitments with any individual or entity to act as a finder of or as a business consultant in regard to any business opportunities for us. There are no plans to use advertisements, notices or any general solicitation in the search for combination candidates.

C. Organizational Structure

We do not directly or indirectly have an equity interest in Beijing Guangwang Hetong Advertising & Media Co., Ltd., (Hetong), however Advertising Networks Ltd., (ANT), our wholly owned subsidiary, has entered into a series of contractual arrangements with Hetong and its shareholders. As a result of the following contractual arrangements, we control and are considered the primary beneficiary of Hetong. These arrangements include the following:

The shareholders of Hetong have jointly granted ANT an exclusive and irrevocable option to purchase all or part of their equity interests in Hetong at any time, and this option may only be terminated by mutual consent or at the direction of ANT.

Without ANT's consent, the shareholders of Hetong may not (i) transfer or pledge their equity interests in Hetong, (ii) receive any dividends, loan interest or other benefits from Hetong, or (iii) make any material adjustment or change to Hetong's business or operations.

The shareholders of Hetong agreed to (i) accept the policies and guidelines furnished by ANT with respect to the hiring and dismissal of employees, or the operational management and financial system of Hetong, and (ii) appoint the candidates recommended by ANT as directors of Hetong.

Each shareholder of Hetong has appointed ANT's designee as their attorneys-in-fact to exercise all its voting rights as shareholders of Hetong, until 2037.

Each shareholder of Hetong has pledged all of its respective equity interests in Hetong to Guangwang Tonghe Technology Consulting (Beijing) Co. Ltd., (WFOE), a wholly-owned subsidiary of ANT in the PRC, to secure the payment obligations of Hetong under certain contractual arrangements between Hetong and WFOE. This pledge is effective until the later of the (i) date on which the last surviving of the Exclusive Service Agreements, the Loan Agreement and the Equity Option Agreement terminates and (ii) date on which all outstanding secured obligations are paid in full or otherwise satisfied. Each of these agreements are subject to customary termination provisions; however, the WFOE may terminate the Exclusive Services Agreement at any time upon 30 days' notice to Hetong.

D. Property, Plants and Equipment

We do not currently maintain any executive office space. Our registered address is 801, 29F Block C, Central International Trade Center, 6A Jian Guo Men Wai Avenue, Chao Yang District, Beijing, PRC.

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not Applicable

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ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated and unconsolidated financial statements and the related notes included elsewhere in this annual report on Form 20-F. This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated *in these forward-looking statements as a result of various factors, including those set forth under "Item 3, Key Information — Risk Factors" or in other parts of this annual report on Form 20-F.*

Operating Results

Overview and Plan of Operation

Following our Business Combination with Alyst on June 25, 2009 until January 2011, we, through our subsidiaries and variable interest entities, provided broadcast television advertising services in the PRC and operated joint-venture partnerships with PRC televisions stations in regional areas of the country. We managed these regional businesses through a series of joint ventures and contractual arrangements to sell broadcast television advertising time slots and so-called "soft" advertising opportunities to local advertisers directly and through advertising agencies and brokers, and also assisted the PRC television stations in selling advertising time slots and "soft" advertising opportunities to national advertisers, specifically by offering multi-region campaigns to maximize value and cut costs these national advertisers would otherwise face when dealing with individual stations on a station-by-station basis.

Since January 2011, we have been a shell company in the BVI with non-operating subsidiaries ANT, a Hong Kong company, WFOE, a PRC company, and Hetong, a PRC company and a variable interest entity. At present, in addition to pursuing a remedy to the dispute with Shanxi TV as discussed elsewhere in this Report, we are exploring options with respect to future business operations. Management may decide to seek a potential business combination with one or more yet to be identified privately held companies, or may determine that it is in the best interests of the Company and its shareholders to attempt to engage in another business through its subsidiaries and variable interest entities in China.

If management determines that it is in the best interests of the Company and its shareholders to enter into a business combination, we will not be restricted in our search for business combination candidates to any particular geographical area, industry or industry segment, and may enter into a combination with a private business engaged in any line of business. Management's discretion is, as a practical matter, unlimited in the selection of a combination candidate.

If we effect a business combination with any entity unaffiliated with our current management, our current officers and directors probably will resign their directorship and officer positions with us in connection with our consummation of a business combination. In such an instance, our current management will not have any control over the conduct of our business following the completion of a business combination.

It is anticipated that prospective business opportunities will come to our attention from various sources, including our management, our other stockholders, professional advisors such as attorneys and accountants, securities broker-dealers, venture capitalists, members of the financial community, and others who may present unsolicited proposals. We do not have any plans, understandings, agreements, or commitments with any individual or entity to act as a finder of or as a business consultant in regard to any business opportunities for us. There are no plans to use advertisements, notices or any general solicitation in the search for combination candidates.

Corporate Update on Sale of Kunming JV

On March 4, 2011, we redeemed an aggregate of $11,000,000 of our outstanding convertible debentures due April 30, 2016, which were issued to certain investors in a private placement transaction that was consummated on April 13, 2010. The redeemed debentures represented the entire outstanding principal of the debentures issued in the private placement. In addition, we paid all outstanding interest owing on the debentures in 8,195,000 ordinary shares of the Company. The funds used to redeem the debentures were generated from the sale of our interest in the Kunming JV as discussed elsewhere in this report.

On May 12, 2011, we redeemed an aggregate of 4,028,690 of our Class A Preferred Shares at a per share price of $1.00. The redeemed shares were issued to certain investors in a private placement transaction that was consummated on April 13, 2010, and accounted for approximately 25.18% of the total 16,000,000 Class A Preferred Shares then outstanding. In connection with the redemption of the Class A Preferred Shares, the Company paid an aggregate of $4.69 million on June 2011 to pay accrued and outstanding dividend payments owing on the Class A Preferred Shares. The funds used to redeem the Class A Preferred Shares were generated from the sale of our interest in the Kunming JV as discussed elsewhere in this report.

On November 31, 2011, we redeemed an aggregate of 4,706,807 of our Class A Preferred Shares at a per share price of $1.00. The redeemed shares were issued to certain investors in a private placement transaction that was consummated on April 13, 2010, and accounted for approximately 39.32% of the 11,971,310 Class A Preferred Shares then outstanding. In connection with the redemption of the Class A Preferred Shares, the Company issued to the holders of the redeemed Class A Preferred Shares an aggregate of 14,964,100 Ordinary Shares as payment for all accrued and outstanding dividends owing on the Class A Preferred Shares.

In April 2012, we redeemed an aggregate of 1,575,000 of our Class A Preferred Shares at a per share price of $1.00. The redeemed shares were issued to certain investors in a private placement transaction that was consummated on April 13, 2010, and accounted for approximately 21.68% of the 7,264,503 Class A Preferred Shares then outstanding.

In March 2013, we redeemed an aggregate of 1,000,000 of our Class A Preferred Shares at a per share price of $1.00. The redeemed shares were issued to certain investors in a private placement transaction that was consummated on April 13, 2010, and accounted for approximately 17.58% of the 5,689,506 Class A Preferred Shares then outstanding.

Update on Yellow River JV

In January 2011, China Yellow River Television Station, the Company's joint venture partner in Shanxi Yellow River and Advertising Networks Cartoon Technology Co., Ltd., or Yellow River JV, was consolidated by merger into Shanxi Radio and TV Station, or Shanxi TV, a PRC state-owned entity, and Shanxi TV was the successor to all of China Yellow River Television Station's obligations under the joint venture agreements. Upon consummation of the merger, Shanxi TV immediately and unilaterally terminated the cooperation agreement that established the Yellow River JV and transferred the advertising business of the Yellow River JV to its own internal advertising department. The Company believes that Shanxi's actions constituted a direct violation of the cooperation agreement which granted to the Yellow River JV the exclusive and irrevocable right to operate China Yellow River Television Station's advertising business.

In connection with the termination of the cooperation agreement and the transfer of the advertising business, Shanxi TV has also taken, as its own, the RMB 45,000,000 of registered capital contributed by the Company to the Yellow River JV. While the Company acknowledges the right of the PRC government to change policies and rules with respect to agreements with state-owned entities, such as Shanxi TV, however the Company believes that the RMB 45,000,000 contributed to the Yellow River JV by the Company must be returned to the Company. The Company has attempted, in good faith, to negotiate a settlement with respect to the funds, however, to date Shanxi TV has refused to return the funds to the Company or enter into any settlement agreement.

In addition to attempts at negotiations directly with Shanxi TV, the Company filed an application for arbitration with the China International Economic Trade Arbitration Commission, or CIETAC, in October 2011. Shanxi TV filed its response in January 2012, and has since challenged CIETAC's jurisdiction over the dispute, though in March 2012, subsequently withdrew the application. Since the submission of the Company's application for arbitration, two hearings have been held, and CEITAC initially indicated that it would render a decision by August 21, 2102. However, this deadline has been extended on three separate occasions. For strategic purposes, the Company submitted a withdrawal application to CERTAC on February 17, 2013 and CEITAC rendered a withdrawal decision on March 18, 2013. On December 12, 2013, the Company filed two applications for arbitration with CIETAC in an attempt to resolve the aforementioned disputes. There is no substantive progress been made during 2014 regarding the two arbitration applications. They are still pending for the arbitration procedures, among which the first hearing of the two arbitrations was cancelled on 8 May, 2015, due to the absence of two arbitrators and no new date has been reset for the hearing.

If the Company is successful in securing the return of part or all of the RMB 45,000,000 that we believe is owed to us from Shanxi TV, a portion of the funds will be used to redeem all or a portion of the Class A Preferred Shares and cumulative accrued dividend that remain outstanding at such time. As of December 31, 2014, the Company is still in the progress of seeking means to recover the amounts and the outcome is uncertain up to the date of this report.

Taxation

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CNIH is incorporated in the BVI. Under the current law of the BVI, CNIH is not subject to income or capital gains tax. In addition, dividend payments are not subject to withholding tax in the BVI.

Hong Kong

We did not have any assessable profits subject to the Hong Kong profits tax from 2008 to 2014. We do not anticipate having any income subject to income taxes in Hong Kong in the foreseeable future.

China

Before the implementation of the EIT Law, foreign invested enterprises, or FIEs, established in the PRC, unless granted preferential tax treatments by the PRC government, were generally subject to an earned income tax, or EIT, rate of 33.0%, which included a 30.0% state income tax and a 3.0% local income tax. On March 16, 2007, the National People's Congress of China passed the EIT Law, and on November 28, 2007, the State Council of China passed the EIT Law Implementing Rules which took effect on January 1, 2008. The EIT Law and its implementing rules impose a unified EIT of 25.0% on all domestic-invested enterprises and FIEs, unless they qualify under certain limited exceptions. Despite these changes, the EIT Law gives FIEs established before March 16, 2007, or Old FIEs, a five-year grandfather period during which they can continue to enjoy their existing preferential tax treatments. During this five-year grandfather period, the Old FIEs which enjoyed tax rates lower than 25% under the original EIT law will be subject to gradually increased EIT rates over a 5-year period until their tax rate reaches 25%. In addition, the Old FIEs that are eligible for other preferential tax treatments by the PRC government under the original EIT law are allowed to continue enjoying their preference until these preferential treatment periods expire.

In addition to the changes to the current tax structure, under the EIT Law, an enterprise established outside of China with "de facto management bodies" within China is considered a resident enterprise and will normally be subject to an EIT of 25% on its global income. The implementing rules define the term "de facto management bodies" as "an establishment that exercises, in substance, overall management and control over the production, business, personnel, accounting, etc., of a Chinese enterprise." If the PRC tax authorities subsequently determine that we should be classified as a resident enterprise, then our organization's global income will be subject to PRC income tax of 25%. For detailed discussion of PRC tax issues related to resident enterprise status, see Item 3, "Key information — Risk

Factors — Under the New Enterprise Income Tax Law, we may be classified as a 'resident enterprise' of China. Such classification will likely result in unfavorable tax consequences to us and our non-PRC shareholders."

In addition, the EIT Law and its implementing rules generally provide that a 10% withholding tax applies to China-sourced income derived by non-resident enterprises for PRC enterprise income tax purposes unless the jurisdiction of incorporation of such enterprises' shareholder has a tax treaty with China that provides for a different withholding arrangement. We expect that such 10% withholding tax will apply to dividends paid to us by our PRC subsidiaries, but this treatment will depend on our status as a non-resident enterprise.

Our future effective income tax rate depends on various factors, such as tax legislation, the geographic composition of our pre-tax income and non-tax deductible expenses incurred. Our management carefully monitors these legal developments and will timely adjust our effective income tax rate when necessary.

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Results of Operations for continuing operations

Comparison of Fiscal Years Ended December 31, 2014 and 2013

The following table sets forth key components of our results of operations for the periods indicated, in dollars and as a percentage of revenue.

	Year ended December 31, 2014		**Year ended December 31, 2013**	
	Amount	**Percentage of Revenue**	**Amount**	**Percentage of Revenue**
General and administrative expenses	(285,783)	-	(530,998)	-
(Loss) from operations	(285,783)	-	(530,998)	-
Interest income	1,110	-	2,530	-
(Loss) before income tax and non-controlling interests	(284,673)	-	(528,468)	-

General and Administrative Expenses. General and administrative expenses include salaries and benefits for our employees, as well as costs and expenses associated with office, utilities, transportation, travel and other costs and expenses related to legal, accounting and other costs associated with regulatory filings. The general and administrative expense for 2014 was $285,783, a decrease of $245,215 or 46%, as compared to $530,998 in 2013. The decrease is primarily as a result of the reduction of business activities resulted from the disposal of investment projects and arbitration with venture partner.

Interest Income. Interest income in 2014 was $1,110 compared with $2,530 in 2013. The decrease in interest income is due to the lower average daily balance of the bank deposit in 2014.

Comparison of Fiscal Years Ended December 31, 2013 and 2012

The following table sets forth key components of our results of operations for the periods indicated, in dollars and as a percentage of revenue.

	Year ended December 31, 2013		Year ended December 31, 2012	
	Amount	**Percentage of Revenue**	**Amount**	**Percentage of Revenue**
General and administrative expenses	(530,998)	-	(909,729)	-
(Loss) from operations	(530,998)	-	(909,729)	-
Other income	-	-	230	-
Interest income	2,530	-	113,165	-
Impairment loss on receivables from YR TV Station	-	-	(3,345,284)	-
(Loss) before income tax and non-controlling interests	(528,468)	-	(4,141,618)	-

General and Administrative Expenses. General and administrative expenses include salaries and benefits for our employees, as well as costs and expenses associated with office, utilities, transportation, travel and other costs and expenses related to legal, accounting and other costs associated with regulatory filings. The general and administrative expense for 2013 was $530,998, a decrease of $378,731 or 41%, as compared to $909,729 in 2012. The decrease is primarily as a result of the reduction of business activities resulted from the disposal of investment projects and arbitration with venture partner.

Interest Income. Interest income in 2013 was $2,530 compared with $113,165 in 2012. The decrease in interest income is due to the significantly lower average daily balance of the bank deposit in 2013.

Critical Accounting Policies

Our discussion and analysis of financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires our management to make judgments, assumptions and estimates that affect the amounts reported in the consolidated financial statements and accompanying notes. Our management evaluates its estimates on an on-going basis based on historical experience and on various other assumptions it believes are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

We believe the following critical accounting policies affect our significant judgments and estimates used in the preparation of its financial statements.

Valuation of long-lived assets - The Company follows ASC 360, “Property, Plant and Equipment”. The Company periodically evaluates the carrying value of long-lived assets to be held and used, including intangible assets subject to amortization, when events and circumstances warrant such a review. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from such asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived assets to be disposed of are determined in a similar manner, except that fair market values are reduced for the cost to dispose.

Fair Value of Financial Instruments **-** Accounting standards require the categorization of financial assets and liabilities, based on the inputs to the valuation technique, into a three-level fair value hierarchy. The various levels of the fair value hierarchy are described as follows:

Level 1 — Financial assets and liabilities whose values are based on unadjusted quoted market prices for identical assets and liabilities in an active market that we have the ability to access.

Level 2 — Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable for substantially the full term of the asset or liabi