

Telecommunications Ordinance (Chapter 106)

Notice is hereby given that the Broadcasting Authority has received an application from Wave Media Limited, a company duly incorporated in Hong Kong whose registered office is situated at Flat 2410, 24/F., Shell Tower, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong, for a licence to establish and maintain in Hong Kong a Digital Audio Broadcasting Service.

The particulars of the application in this Notice, as set out below, are provided by Wave Media Limited. Nothing in this notice shall affect or prejudice any powers, discretion and rights of the Broadcasting Authority or the Government.

1. COMPANY INFORMATION

Corporate and shareholding structure

Wave Media Limited (“Wave Media”) holds a sound broadcasting licence, granted on 11 November 2008, to establish and operate a new service on the AM 810 kHz channel.

Wave Media submits that Wave Media was founded by nine Class ‘A’ shareholders and they are experienced businessmen, investors, professionals, and media executives. The nine shareholders hold a total of 100% voting rights of the Company. The voting rights are as follows : The Honourable Ronald Joseph Arculli (10%), Mr. Albert Jinghan Cheng (20%), Mr. Morris Ho Kwok Fai (6.66%), Mr. Alan Hoo (3.33%), Professor Arthur Li Kwok Cheung (10%), Dr. The honourable Sir David Li Kwok Po (10%), Dr. William Mong Man Wai (10%), Dr. Allan Wong Chi Yun (10%), and Mr. Wong Cho Bau (20%).

Wave Media plans to allot Class ‘B’ shares with no voting rights to a group of minority shareholders, up to 25% of Wave Media’s shareholding . It is planned that the Class ‘B’ shareholders shall include Management Team members, key programme hosts and strategic partners.

Compliance with statutory requirements

Wave Media submits the following –

- Wave Media and all persons exercising control of Wave Media are fit and proper persons¹;

¹ Under section 13C(5) of the Telecommunications Ordinance, in determining whether a person is a fit and proper person, account shall be taken of-

- (a) the business record of the person;
- (b) the record of the person in situations requiring trust and candour;
- (c) the criminal record in Hong Kong of the person in respect of offences under the laws of Hong Kong involving bribery, false accounting, corruption or dishonesty; and
- (d) the criminal record in places outside Hong Kong of the person in respect of conduct that, if done in Hong Kong, would constitute or form part of the criminal record in Hong Kong of the person as mentioned in paragraph (c).

- Wave Media is a company formed and registered in Hong Kong under the Companies Ordinance (Cap. 32) in 2006;
- Wave Media is not a subsidiary within the meaning of section 2 of the Companies Ordinance (Cap. 32);
- Wave Media is empowered under its memorandum of association to comply fully with the provisions of the Telecommunications Ordinance (Cap. 106) and the terms and conditions of its licence;
- There are no disqualified persons² exercising control of Wave Media; and
- There are no unqualified persons³ having, directly or indirectly, any right, title or interest in the voting shares in the Wave Media.

Financial soundness and proposed investment

Wave Media submits that the estimated expenditure by Wave Media in the initial six years for the launch of digital audio broadcasting (“DAB”) service is HK\$620 million, comprising capital expenditure of HK\$78 million and operating expenditure of HK\$542 million. Wave Media’s business plan calls for HK\$97 million in shareholders’ fund for the capital expenditure and the initial operating losses for the DAB services (before breakeven in the second year of operation).

Wave Media has been able to raise HK\$105 million in shareholders’ loan from Class ‘A’ shareholders. It is also planned that a group of Class ‘B’ shareholders, who may include

² Under section 13A(1) of the Telecommunications Ordinance, “Disqualified person” means –

- (a) an advertising agent;
- (b) a person who in the course of business supplies material for broadcasting by a sound broadcasting licensee;
- (c) a sound broadcasting licensee;
- (d) a person who in the course of business transmits sound or television material, whether in Hong Kong or outside Hong Kong;
- (da) a person who is-
 - (i) a domestic free television programme service licensee, or a domestic pay television programme service licensee, within the meaning of the Broadcasting Ordinance (Cap 562); or
 - (ii) an associate of a licensee referred to in subparagraph (i);
- (e) a person who exercises control of a corporation that is a person referred to in paragraph (a), (b), (c), (d) or (da)(i).

³ Under section 13I of the Telecommunications Ordinance, a person shall be an “unqualified person” unless –

- (a) he is a person who is for the time being ordinarily resident in Hong Kong and has at any time been resident for a continuous period of not less than 7 years; or
- (b) that person is a company that is ordinarily resident in Hong Kong.

Under section 13A(1) of the Telecommunications Ordinance, a company is ordinarily resident in Hong Kong if –

- (a) it is formed and registered in Hong Kong under the Companies Ordinance; and
- (b) in the case where:
 - (i) not more than 2 of its directors take an active part in the management of the company, each of those directors is; or
 - (ii) more than 2 of its directors take an active part in the management of the company, the majority of those directors are each of them,for the time being ordinarily resident in Hong Kong and has at any time been resident for a continuous period of not less than 7 years; and
- (c) the control and management of the company is bona fide exercised in Hong Kong.

Management Team members, key programme hosts and strategic partners, will subscribe for the Class “B” shares (non-voting shares) and provide an aggregate amount up to HK\$35 million into Wave Media by way of shareholder's loan.

According to Wave Media’s submission, the said Shareholders’ Loans (up to an aggregate amount of HK\$140 million) to be provided by the shareholders of Wave Media should be sufficient to finance the investment for the set-up and operation of the DAB services.

Managerial and technical expertise

Wave Media submits that it has a management team with managerial and technical experience, comprising businessmen, investors, professionals, media executives and experts with experience in radio and television broadcasting, electronic media and publishing.

Each Class ‘A’ shareholder holding (or a group of Class ‘A’ shareholders who together hold) 9.99% of the issued Class ‘A’ shares would be entitled to nominate one individual to act as Director of Wave Media and the total number of Directors (excluding alternate Directors) in Wave Media shall not exceed 10. Currently, Directors of Wave Media are: Mr. Albert J Cheng, Mr. Morris Ho Kwok Fai , Mr. Alan Hoo , Dr. Allan Wong Chi Yun and Mr. Wong Cho Bau.

The Management Committee has been set up to oversee such matters as the Board may from time to time resolve which may include, without limitation, implementation of policy resolved by the Board and directions given by the Board and the day-to-day operation of Wave Media. The Management Committee comprises of not less than 3 Directors and the Chief Executive Officer ("CEO"), if any, from time to time appointed by the Board.

Wave Media plans to have five departments with responsibility for: Programming, Engineering, Sales & Marketing, Operations and Finance. They will be overseen by the Management Team led by the CEO.

Quality control and compliance

The Programme Director of Wave Media will assume the role of Compliance Officer to assure the compliance of all the programme contents with applicable law, licence conditions, and Codes of Practice and directions or orders issued or made by the Broadcasting Authority. All Programme Producers and production teams will also be trained with detailed understanding of these requirements and restrictions, as well as the proper producer’s guidelines.

To reinforce the monitoring of its content by the public, Wave Media will establish an interactive web-based platform to act as an ombudsman to represent the interests of the public to investigate and address the public complaints to its programme. All the complaints will be channelled to the management. These complaints and the replies to these complaints will be detailed on the web site.

Wave Media also aims to provide a platform where everyone has an equal opportunity to freely express their views and opinions, regardless of their standpoint, social or financial status.

2. PROGRAMMING INFORMATION

Programming to be provided, by nature and number of channels and extent of local production

Wave Media expects that through the large bandwidth and technical advantages of digital sound broadcasting, and by means of a multi-channel and multicultural innovative programmes, to fulfil its social obligations to provide an effective platform for fair and free expression of views as well as the promotion of social harmony.

Channels under planning and proposal includes –

- Talk radio (1 channel) – including programmes on news and market update, public affairs and commentary, knowledge and education, lifestyles and trends, harmonious society and all-night musical joint broadcast
- Ethnic Minorities Channel (1 channel) – including Philippine and Indonesian programmes
- 24-hour News and Market Update (1 channel) – including news broadcast, market update and financial programmes
- Leisure Life Channel (1 channel) – including programmes for the grey-haired brigade and healthy family programmes, musical programmes and news brief
- Community Channel (1 channel) – including programmes showcasing voluntary agencies and cases of care, programmes on community service enquiries and emergency service referrals, musical programmes and all-night musical joint broadcast
- 24-hour Music Channels (not less than 2, depending on bandwidth allocated)

Except for the Ethnic Minorities Channel, of which about 10 hours weekly of programmes is planned to be acquired from abroad, all the programmes are planned to be produced locally.

DAB Channel 頻道	Language	Locally Produced
Talk Radio 有聲台頻道	Chinese (Cantonese mainly)	~100% (~168 hours weekly)
Ethnic Minorities Channel 少數族裔頻道	Multi-Languages (English, Filipino, Indonesian mainly)	~94% (~158 hours weekly)
24 Hours News & Market Update 24 小時新聞財經頻道	Chinese (Cantonese mainly)	~100% (~168 hours weekly)
Leisure Life Channel 悠閒生活頻道	Chinese (Cantonese mainly)	~100% (~168 hours weekly)
Community Channel 社區頻道	Multi-Languages (Cantonese mainly)	~100% (~168 hours weekly)
24-hour Music 24 小時純音樂頻道	Multi-Languages (Chinese and English mainly)	~100% (~168 hours weekly)

The proposed milestone on channel roll-out

In accordance with Wave Media's plan, the above channels will begin broadcasting in two stages:

Stage 1 (within 10 months from licence granted)	Stage 2 (within 12 months of the initial launch)
Talk Radio Ethnic Minorities Channel 5 or more 24-hour Music Channels (as many as possible to fully utilize the allocated bandwidth)	Talk Radio Ethnic Minorities Channel 24-hour News & Market Update Channel Leisure Life Channel Community Channel 2 or more 24-hour Music Channels (as many as possible to fully utilize the allocated bandwidth)

Each and every one of the above-mentioned channels will have its own targeted listeners, from ones that target a territory-wide listenership to ones that cater to tastes of minority groups.

The daily operating hours of the service

Wave Media plans to provide 24 hours daily broadcasting for each channel. If allocated 7 channels, Wave Media plans to broadcast a total of 168 hours of programmes daily, i.e. a total of 1,176 hours weekly. Types of programmes include Public Affairs & Commentary, 24-hour News and Market Update, Financial Review, Investor Education, Knowledge & Training, Lifestyles & Trends, Elder care, Harmonious Family & Society, Community Service Information, Ethnic Minorities, and all sorts of uninterrupted 24-hour music.

3. TECHNICAL INFORMATION

Transmission mode and frequency to be employed

Wave Media plans to establish and maintain DAB services in Hong Kong, operating seven or more audio channels and program-associated data services in DAB+⁴ format, based on the Eureka 147 DAB Standard, and utilizing half or more bandwidth (bit rate of approximately 600kbps or more) provided through one 1.5 MHz multiplex in Band III (219.584 - 221.120 MHz).

Proposed location of each transmission station and geographical coverage

In Hong Kong, seven transmission stations located at strategic hilltop sites are established and maintained to provide territory-wide FM radio coverage. Wave Media submits that in order for the DAB services to provide similar territory-wide coverage as FM services, DAB transmitters will be co-located at the existing FM transmission stations.

Service roll-out

Wave Media targets to launch the DAB service within 10 months from the grant of licence. Full (~90%) coverage can be achieved, if no construction work is required in all hilltop sites, and all equipment and installation are in place on time.

Equipment and facilities required at the customer end

Wave Media submits that, to listen to the DAB service, listeners need to use a DAB+ receiver and tune it to the transmission frequency (Channel 11C or 220.352MHz). Almost all DAB+ receivers have automatic scanning functions, which scan the whole Band III spectrum and store all the available DAB channels. Listeners can then select the available DAB channels and listen to their favourite radio programs.

All Wave Media's DAB channels are free to listen. No installation or recurring fees will be charged to the audience. What the audience need to pay for is a DAB+ receiver, which will be easily purchased in the retail stores. Wave Media expects that consumer can buy a DAB+ receiver from the retail stores at HK\$ 250 – HK\$ 2,000.

⁴ DAB+ is based on the Eureka 147 DAB standard and employs a more advanced audio codec than that of DAB which has been deployed in some foreign countries. In general, a DAB compatible receiver will not be able to receive services delivered in DAB+ format. On the other hand, a DAB+ compatible receiver can receive services delivered in both DAB and DAB+ formats.

4. OTHER INFORMATION

Commencement of service

Wave Media targets to launch the DAB service within 10 months from the grant of licence. Full (~90%) coverage can be achieved, if no construction work is required in all hilltop sites, and all equipment and installation are in place on time.

Preferred period of validity of the licence

Wave Media expects that the validity of the licence will be the same 12 years as other existing radio broadcasting licensee.

Construction work required and its impact on the public

Wave Media submits that the most cost effective and efficient approach to launch DAB service with similar territory-wide coverage as FM services, will be to have the DAB transmitters co-located at these transmission stations, sharing the existing transmission sites and facilities. This approach is also mentioned in the *Framework for Development of Digital Audio Broadcasting Services in Hong Kong* promulgated by the Government in February 2010. It will minimize the need to construct separate transmission stations at the hilltop sites and avoid impact to the public.

However, as the available space in these stations is limited, it may be necessary for the Telecommunications Authority to facilitate the allocation of space, if mutual agreement cannot be reached among existing broadcasters.

The benefit brought by the implementation of the proposal to the local industry, audience /customers and the community as a whole

Wave Media submits the following –

Benefits To the Broadcast Industry

- Trailblazer in digital sound broadcasting - Wave Media began investing resources in feasibility studies in 2008. In January of this year, Wave Media began technical trials using DAB/DAB+ format. Except for poor indoor reception in some areas due to low transmission power at 500W, the result of the technical trials is encouraging. If granted the digital sound broadcasting licence, Wave Media plans to proceed by first investing in the broadcasting infrastructure, including adding new digital audio broadcasting installations and transmission equipment to the transmission stations. At a later date, Wave Media will work out with other successful licence applicants to share the costs of these infrastructural outlays on the basis of bandwidths allocated. Wave Media hopes that this can expedite the process whereby Hong Kong citizens can enjoy the pleasure of radio programs with better sound and more stable reception at the earliest date possible.
- Re-positioning of sound broadcasting - Wave Media will revolutionize the way in which radio broadcasting services are provided, by using the multimedia platform, bandwidth and superior sound quality afforded by digital sound broadcasting, interweaving it with community and combining it with the Internet and other forms of media to open up room for greater programming creativity. Wave Media intends to

make the sounds of radio the irresistible sounds of the city.

- First to invest, first to throw its hat into the ring - Wave Media believes that action speaks louder than words. Wave Media puts its faith in the future of digital sound broadcasting. Besides the above-mentioned first-phase technical trials, and proposed investment in technical infrastructure following the granting of licence, Wave Media is prepared to take over whatever bandwidths that remain for provision of various music channels, once other qualified operators have been assigned the channels. Wave Media hopes that this will ensure that the Band III (219.584 to 221.120 MHz) spectrum released by the Government for DAB services will be fully utilized. Thus, no bandwidth will be left unused, which will be a waste of valuable public resources, while ensuring that listeners will have greater access to more digital radio channels. This will have the effect of making digital sound broadcasting more attractive to listeners while consolidating the base of listenership. Wave Media considers this laying a firm foundation for Hong Kong's digital sound broadcasting market.

Benefits to Radio Listeners

- More Channels and More Content Choices - Wave Media will bring its innovative concepts, new platform and new technology to usher its listeners into a new frontier of better and broader information, knowledge and culture. Wave Media will offer 7 or more totally new digital channels, giving listeners a choice beyond AM and FM channels.
- Catering to Tastes of Minority groups - Metropolitan centres over the world are never satisfied just to provide mainstream programming. They also offer programmes catering to listeners of minority groups. Wave Media will use all the advantages of the digital transmission, targeting over half of the available bandwidth to offer programs tailor-made for the minorities in our midst, from Cantonese opera lovers to classical music aficionados, from the greying population to the post-80's generation, from the local-born to the migrant workers from other ethnic communities such as Filipinos and Indonesians. In Wave Media's channels, they will find their voices and sounds soothing and familiar to their ears.
- Better Listening Experiences - Digital sound broadcasting offers sounds whose quality compare favourably with that of compact discs. Wave Media will launch multiple channels, offering a variety of uninterrupted music programs 24 hours a day, from golden oldies, classical melodies, international new hits, Cantonese opera, jazz and South-east Asian folk music etc. These selections will be made by veteran musicians, coming to listeners with hi-fidelity, non-stop year-round pleasure.

Benefits to Community As a Whole

- More Channels for voicing diverse views - Wave Media will provide an open and fair opinion platform, so that different views and different voices will be heard and reverberate. All people, regardless of their social status and especially the socially disadvantaged, enjoy equal opportunity of expression. No one will be ignored.
- Building a harmonious and cohesive culture – Wave Media will produce many programmes that cater to the minorities, the minority ethnic groups and the underprivileged, encourage social participation and advocate for social integration and building of a harmonious community.

- Raising the level of cultural and artistic appreciation - Making use of the superb compact-disc-like sound quality afforded by digital technology, Wave Media will broaden the musical tastes of Hong Kong people, raising their cultural awareness and ability to appreciate culture and the arts. Wave Media is in the business of culturally educating listeners for our city.

Members of the public who are interested may make representations on the application to the Broadcasting Authority by **30 July 2010** at the following address:-

The Broadcasting Authority
c/o Television and Entertainment Licensing Authority
39th Floor, Revenue Tower
5 Gloucester Road
Wan Chai
Hong Kong

Fax Number: 2507 2219
2598 5509 (Confidential)

E-mail: ba@tela.gov.hk

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9 July 2010
Secretary, Broadcasting Authority