有線寬頻 i-CABLE

STOCK CODE: 1097

2010 ANNUAL REPORT

i-CABLE COMMUNICATIONS LIMITED ANNUAL REPORT 2010 i-CABLE Communications Limited is Hong Kong's leading integrated communications company.

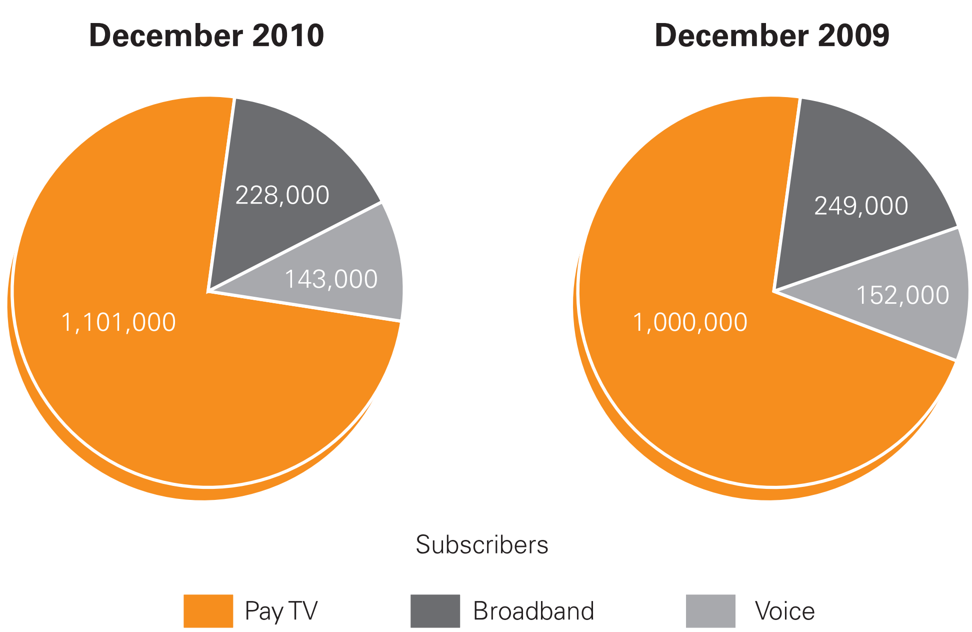
It is one of the largest producers of video, film and multimedia content based in Hong Kong, for distribution around the world over conventional and new media, with particular focus on news, information, sports and entertainment.

It owns and operates one of two near universal broadband telecommunications networks in Hong Kong, over which it provides Pay TV, Broadband and Voice services to well over one million subscribing households and businesses.

CONTENT

Results Highlights

- The Group's investment in content and HD TV, notably 2010 FIFA World Cup and BPL with the best HD picture quality in the market, has boosted TV services market share and revenue.
- The Group is also investing in network infrastructure upgrade to enhance the competitiveness of its broadband service.
- Participation in a Free TV service through an affiliated company, if the application for a licence succeeds, will enable the Group to tap new revenue from its well-regarded content capabilities.
- Consolidated turnover increased by 14% to HK$2,002 million (2009: HK$1,754 million).
- Major non-recurrent programming expenses relating to 2010 FIFA World Cup, 2010 Asian Games and 2010 Winter Olympics contributed to a 30% increase in operating costs to HK$1,997 million (2009: HK$1,541 million).
- Net loss increased to HK$267 million (2009: HK$40 million).
- Net cash of HK$447 million as at December 31, 2010 (2009: HK$531 million).



Corporate Information

BOARD OF DIRECTORS

Stephen T H Ng	(Chairman & Chief Executive Officer)
William J H Kwan	(Chief Financial Officer)
Paul Y C Tsui	

Independent Non-executive Directors

T K Ho
Roger K H Luk, *BBS, JP*
Patrick Y W Wu
Anthony K K Yeung, *JP*

GROUP EXECUTIVES

Stephen T H Ng	(Chairman & Chief Executive Officer)
William J H Kwan	(Chief Financial Officer)
Ronald Y C Chiu	(Executive Director, i-CABLE News Limited and i-CABLE Sports Limited)
Samuel C C Tsang	(Executive Director, i-CABLE Entertainment Limited and Hong Kong Cable Enterprises Limited)
Vincent C S Cheung	(Senior Vice President, Subscription Services)
Simon K K Yu	(Senior Vice President, i-CABLE Network Operations Limited)
Danny T H Lo	(Vice President, External Affairs)

COMPANY SECRETARY

Wilson W S Chan, *FCIS*

AUDITORS

KPMG, Certified Public Accountants

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

REGISTRARS

Tricor Tengis Limited
26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong

ADR DEPOSITARY

The Bank of New York Mellon
One Wall Street, New York, New York 10286, USA

Our American Depositary Shares are traded in the over-the-counter markets in the United States.

REGISTERED OFFICE

16th Floor, Ocean Centre, Harbour City, Canton Road, Kowloon, Hong Kong
Telephone: (852) 2118 8118 Fax: (852) 2118 8018

PRINCIPAL BUSINESS ADDRESS

Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, Hong Kong

LISTING

The Company's shares are listed under the Code "1097" on The Stock Exchange of Hong Kong Limited.

CORPORATE WEBSITE

www.i-cablecomm.com

INQUIRIES

info@i-cablecomm.com

Chairman's Statement

DEAR SHAREHOLDERS,

Competitiveness sharpened by investment in premier programming and service enhancement enabled the Group to achieve sustained growth in its television business during the year, which saw the highest net increase in subscribers in well over 10 years, by over 100,000, despite a competitive operating environment.

Growth in recurrent revenue from the television sector brought about by the substantial customer base expansion and strong commercial airtime sales offset the weakness in the broadband sector, and spurred a 14 percent overall growth in turnover to HK$2,002 million from HK$1,754 million in 2009.

Exclusive premier content, most notably the prestigious 2010 FIFA World Cup as three-time Official Broadcaster, other world-class mega sports events such as the 2010 Vancouver Winter Olympics and the 2010 Guangzhou Asian Games, and the return of the much-coveted Barclays Premier League action to our platform, all viewable through our fastest growing high-definition platform, also helped the Group to successfully enhance its prime position in the market.

Associated programming costs, one-off in some cases, were however substantial. Operating expenses increased by 30% to HK$1,997 million. Net loss in the year widened to HK$267 million. However, the Group's financial position remained strong. Net cash stood at HK$447 million at year-end.

We are continuing with efforts to exploit the full value of our content capability on outdoor and new media, as well as through free TV, for which Fantastic Television Limited's licence application is progressing on course. Meanwhile, we are pressing on with infrastructural and service quality upgrades to compete on the broadband front.

While pressure from premier content costs is not expected to ease in the near term, the recurrent revenue base has been enlarged. A noticeable improvement in financial performance is expected for 2011.

The Group's progress could not have been achieved without the steadfast support of our shareholders, partners, customers and dedicated staff, to whom I wish to extend my heartiest gratitude.

Stephen T H Ng
Chairman and Chief Executive Officer
i-CABLE Communications Limited
Hong Kong, March 15, 2011

Business Review

COMPETITION AND OPERATING ENVIRONMENT

The Group achieved sustained growth for its TV business in a challenging environment during 2010. However, operating margin came under severe pressure, partly due to significant non-recurrent costs.

Exclusive premier programming and the sharpest HD service in the market combined to stimulate a significant increase in TV services subscribers — by over 100,000 during the year. Together with strong growth in airtime sales, that helped to more than overcome weakness in the Broadband business to increase Group turnover by 14% to HK$2,002 million (2009: HK$1,754 million).

However, substantial content expenses — attributable primarily to BPL, as well as the non-recurrent 2010 FIFA World Cup, 2010 Guangzhou Asian Games and 2010 Vancouver Winter Olympics, increased operating costs by 30% to HK$1,997 million.

A small full year EBITDA gain resulted, and net loss rose to HK$267 million (2009: HK$40 million).

Nevertheless, the financial position of the Group remains sound. Net cash as at the end of the year was HK$447 million (2009: HK$531 million).

SUBSCRIPTION SERVICES

On the TV front, the recovery in high-yield subscribers continued to gain momentum in 2010, spurred by unrivalled exclusive content offerings and HD initiatives.

Premier sports programmes, most notably the month-long 2010 FIFA World Cup action in the summer, followed by the return of the much coveted BPL to CABLE TV for three football seasons, enabled the Group to grow its TV subscriber base by a rewarding 10% to exceed 1,100,000.

We have expanded our HD platform, not only in sports but also in entertainment. Seven flagship channels are now broadcast in HD, including Movie 1, Entertainment and 5 sports channels, after the first two were added at the beginning of 2011. With the sharpest picture quality in the market, these HD channels have proven to be a big draw to drive subscriber acquisition. Together with the new conditional access system, they have also helped to keep pirated viewing in check, as was evident in the expanded customer penetration.

In the broadband market, cut-throat competition in pricing as well as service continued in earnest with no sign of letting up. As at December 31, 2010, our subscriber base stood at 228,000, down by 8% from a year earlier. Revenue dropped by 17% to HK$433 million (2009: HK$522 million); operating profit dropped by 41% to HK$96 million (2009: HK$163 million).

To stem attrition of broadband subscribers, we are speeding up the pace of service upgrade. The deployment of 130 Mbps downstream service on Hong Kong Island has mostly been completed, and is now proceeding in the remainder of the city. Apart from contributing to subscriber retention and acquisition, the expanded network capacity and service quality also facilitate service upselling to existing subscribers to bring revenue benefits.

In a mature market, the telephony subscriber base served over our network stood at 143,000 at year end.

By assertively taking or defending market share, we grew our total TV, broadband and voice services customer base to about 1,500,000 during the year.

PROGRAMMING

On the programming front, 2010 was also a record-breaking year, with impressive all-rounded achievements in entertainment, sports and news, winning both viewership and critical acclaim locally and internationally.

Entertainment

The highlight of the year was the 80-episode "Dong Yi". Broadcast over a four-month period, the drama series broke all Hong Kong Pay TV ratings records, with an audience reach of over 340,000, an achievement prominently featured in the entertainment press.

Local productions received critical acclaim, garnering international awards through innovation and dedication. "Those were the Tastes" and "Tales of our City" were recognised by the Asian TV Award Board and the ABU respectively, while artiste Cathy Cheng was highly commended by the Asian TV Award Board for her performance on CEN.

Cable No. 1 Channel made local TV history when its "2010 FIFA World Cup" programmes were simulcast without edit by both of Hong Kong's free TV stations.

Our entertainment platform continued to make inroads into TVB's *de facto* monopoly over local artistes/singers, successfully arranging them to appear on CEN and the Entertainment Channel.

Our channel portfolio was enriched with new channels. CNC, the first 24-hour Putonghua news channel affiliated to Xinhua News Agency, landed on our basic package platform in June, and the branded Disney Channel and Playhouse Disney Channel were launched the following month.

Enhancement of the entertainment platform will continue in 2011 with the launch of HD movie and entertainment channels hd241 and hd212 respectively at the start of the year. Other exciting initiatives will follow.

Sports
2010 was a phenomenal year for i-CABLE Sports — not only in mega programme line-up but also in service breakthroughs.

The excitement started with the Winter Olympics in Vancouver in February as we covered the event as official broadcaster on an unprecedented scale across eight TV channels and our official portal.

Throughout June and July, Hong Kong was gripped in a football frenzy as CABLE TV broadcast all 64 Final Round matches in 2010 FIFA World Cup from South Africa, nightly for nearly a month — also for the first time in HD format — as third time Official Broadcaster.

More than 13,000 football fans, meanwhile, joined CABLE TV's top-notch presenters, commentators and guests to participate in nightly parties at the World Cup Carnival, enjoying the excitement of the world's most prestigious football action in HD through state-of-the-art equipment including a unique set of 4K HD projector with a 400-inch HD screen — the largest in Hong Kong.

Following on the heels of World Cup fever was the much-anticipated return of BPL to the CABLE TV platform for three football seasons from August 2010, offered this time innovatively as premium packages to more precisely cater to the diverse needs of our wide spectrum of customers. Around the same time, other top football action, including the UEFA Champions League and the UEFA Europa League, kicked off.

Our November coverage of the 2010 Asian Games in Guangzhou as four-time Official Broadcaster again made history as the Games were broadcast in HD format for the first time in Hong Kong, with unprecedented comprehensiveness over five channels. Event highlights were also made available to the Hong Kong public to savour at their own time on our official portal.

Our HD sports offering expanded in the latter part of the year to cover over 300 BPL matches each season, UEFA Champions League, UEFA Europa League and other international sports events in HD format. hd204 and hd205 were added to hd201, hd202 and hd203 to increase the total number of HD sports channels to five.

The spectrum of quality HD programmes was further enhanced when true HD horse racing programmes were added in October.

News
i-CABLE News continued to serve the local community with dedication and professionalism, delivering services that the Hong Kong public has long valued as a reliable source of news and information enabling them to keep a close tab on fast-developing local and world events.

Their accurate around-the-clock reporting was even more keenly appreciated in times of crisis. During the Manila incident in August in which a Hong Kong tour group was held hostage by a gunman on a coach bus, i-CABLE News was the first TV station in Hong Kong to break the news and thereafter provided live coverage throughout the day-long saga to a worried Hong Kong public as they anxiously followed developments.

Toward the evening when events took a horrifying turn, many were seen gathering in front of outdoor CABLE TV screens watching in shock, disbelief and outrage the bungled police attempt to storm the bus and its tragic aftermath. Follow up reporting that closely tracked the return of the victims and the road to recovery of the survivors, sensitively presented, contributed to the healing of the traumatized collective psyche of Hong Kong people.

Our news team is always looking for ways to add value to news presentation. During the year, expanded backgrounders presented as separate mini-segments between main news items hosted by anchors were enhanced. The new feature was welcomed by viewers as a means to gain a clearer perspective of news events.

Apart from public acclaims, our news and public affairs programmes also received formal recognitions. i-CABLE News was ranked the highest among local TV stations in news and financial reporting in the TV Programme Appreciation Index Survey in 2010. The team's works also won numerous international awards in the New York Festivals — TV & Film Awards, the 31st Annual Telly Awards, the 10th Consumer Rights Reporting Awards, the 14th Annual Human Rights Press Awards and the 1st Kam Yiu-yu Freedom Awards.

ADVERTISING SERVICES

Revenue from this business arm in 2010 increased substantially over 2009, attributed mainly to CABLE TV commercial airtime sales (ATS).

Riding on CABLE TV's exclusive full live coverage of the 64 final round matches, revenue from advertising campaigns related to 2010 FIFA World Cup exceeded that for World Cup 2006. Demand for airtime and yield rate on other ATS platforms were also uplifted.

HKCNE, the exclusive sales distributor and content provider of MTRC's Newsline Express, recorded significant growth in advertising revenue in 2010, attributable to enhancement of product features, including buying and on-screen display formats.

Leveraging on CABLE TV's exclusive rights for 2010 FIFA World Cup, HKCNE brought to train passengers the most up-to-date match highlights and scores among all Out-of-Home Media in Hong Kong.

SUNDREAM MOTION PICTURES

Sundream released a total of 10 titles in 2010 — *NINE, A Single Man, Mother and Child, My Rainy Days, Shanghai, Piranha 3D, I am Love, The Disappearance of Alice Creed, The Next Three Days and The Good Heart*, and grossed over HK$20 million at the box office.

A total of 14 films are in the 2011 line-up, including *A Little Bit of Heaven*, starring Kate Hudson, *Larry Crowne*, starring Tom Hanks, and Colin Firth's *The King's Speech*, which received 12 Oscar nominations, and won four major awards — Best Picture, Best Actor, Best Director and Best Original Screenplay.

Corporate and Community Affairs

HUMAN RESOURCES

Under the Group's well-established pay-for-performance policy, our dedicated and talented professional teams put in their best to further the Group's business objectives and turned in another year of impressive performance, enabling the Group to capture opportunities in an improving economy.

The Group had 2,634 employees at the end of 2010 (2009: 2,822). Total gross amount of salaries and related costs incurred in the corresponding period amounted to HK$712 million (2009: HK$704 million).

CORPORATE SOCIAL RESPONSIBILITY

The Group is committed to discharging its responsibilities towards the community and encourages our staff to do the same. Under this spirit, we continued to make contributions in 2010 on both the corporate and individual levels, taking part enthusiastically in various worthy social projects.

In line with the aspiration of the Hong Kong public in creating a better living environment, the Group took part in the Take a "Brake" Low Carbon Action campaign organized by Friends of the Earth.

Key related green measures included participation in the Green Driving Workshop, distributing "Green Driving Tips" to our staff with follow-up measures, strict adherence to regular repair and maintenance schedules to improve vehicle fleet efficiency, better utilization of vehicles via improved deployment planning, as well as the phasing out of aged high fuel consumption vehicles.

For our efforts, the Group received the Gold Tier Awards in Fuel Efficiency Improvement and Fuel Consumption Saver of the Corporate Green Driving Award Scheme 2010, together with all other business units of ultimate holding company Wheelock and Company Limited.

The Group also took part in "Earth Hour", for the second year, to turn off unnecessary lightings. Other community and charitable activities included in-company promotion of organ donation through company website, notice board and leaflets, taking part in the Community Chest's Skip Lunch Day, Dress Special Day and Love Tooth Day, the Orbis Pin day and donation to Qinghai earthquake victims.

During the year, i-CABLE volunteers organized a host of community activities, extending warmth and care to the underprivileged and needy. Team members painted the home gates for elderly people, and organized a two-day photo-shooting event over the summer holidays to take portraits for those who cannot afford to do so at private studios. Over 30 children and 120 seniors benefited. Team members performed for a group of elderly people at a Mid-Autumn Festival party, and distributed to them gift packs.

The Group received the "Caring Company Scheme 5 Years Plus Logo" for the seventh year in 2010 from the Hong Kong Council of Social Service in recognition of our continuous commitment as a socially responsible corporation.

Outlook

The Group's decision to reinvest in programming, service and system upgrades despite adverse conditions spurred record growth in customer base and boosted recurrent revenue in 2010.

Armed with an unrivalled arsenal of premier content and an expanding HD service offering the best viewing experiences in the market, the Group is in a strong position to step up its drive to further push forward this growth momentum.

While expenses relating to premier programming will continue to exert considerable pressure on the Group's operating cost in the medium term, these investments are key for the Group to maintain a leading position in the market where competitive pressure is unrelenting.

Affiliate Fantastic Television Limited has submitted an application for a free TV licence in Hong Kong. Licensing authorities are expecting a decision in the first half of 2011. The new service is expected to leverage the Group's content and distribution advantage to improve the Group's operating performance.

We are confident that the solid competitive advantages we have built up will enable us to more effectively capture opportunities in an improving market, and be fully reflected in the Group's financial performance in due course.

FINANCIAL REVIEW

Financial Review

(A) REVIEW OF 2010 RESULTS

Consolidated turnover was 14% higher year-on-year at HK$2,002 million.

Operating costs before depreciation increased by 30% to HK$1,997 million. Programming costs increased by 56% to HK$1,274 million due primarily to BPL, as well as the non-recurrent 2010 FIFA World Cup, 2010 Guangzhou Asian Games and 2010 Winter Olympics. Cost of sales increased by 6% to HK$55 million. Selling, general and administrative and other operating expenses increased by 2% to HK$435 million, against lower network expenses of HK$233 million.

Depreciation decreased by 2% to HK$254 million due to ending of depreciation cycles for information system equipment and network assets, partly offset by higher charges for HD/SD set top boxes and capacity related equipment.

Loss after tax increased to HK$267 million as compared to HK$40 million in 2009. Basic and diluted loss per share was HK$0.13 as compared to loss per share of HK$0.02 in 2009.

(B) SEGMENTAL INFORMATION

Television

TV services subscribers were 10% higher year-on-year to exceed 1,101,000. Turnover increased by 27% to HK$1,561 million. Operating costs after depreciation increased by 40% to HK$1,783 million. Operating loss was HK$222 million (2009: HK$45 million).

Internet & Multimedia

Broadband services subscribers were 8% lower year-on-year at 228,000 and the Voice conveyance service was 6% lower at 143,000 lines. Turnover decreased by 17% to HK$433 million. Operating costs after depreciation decreased by 6% to HK$336 million. Operating profit decreased by 41% to HK$96 million (2009: HK$163 million).

(C) LIQUIDITY AND FINANCIAL RESOURCES

As of December 31, 2010, the Group had net cash of HK$447 million, as compared to HK$531 million a year ago.

The consolidated net asset value of the Group as at December 31, 2010 was HK$1,747 million (2009: HK$2,010 million), or HK$0.9 per share (2009: HK$1.0 per share).

The Group's assets, liabilities, revenues and expenses were mainly denominated in Hong Kong dollars or U.S. dollars and the exchange rate between these two currencies has remained pegged.

Capital expenditure during the year amounted to HK$251 million as compared to HK$261 million in 2009. Major items included network upgrade and expansion, HD/SD set top boxes, TV production facilities as well as capacity related equipment.

The Group is comfortable with its present financial and liquidity position. Capital expenditure and new business development will be funded by cash generated from operations and, if needed, bank borrowings or other external sources of funds.

(D) CONTINGENT LIABILITIES

At December 31, 2010, there were contingent liabilities in respect of guarantees, indemnities and letters of awareness given by the Company on behalf of subsidiaries relating to overdraft and guarantee facilities provided by banks up to HK$12 million (2009: HK$19 million), of which HK$2 million (2009: HK$6 million) had been utilised by the subsidiaries.

(E) HUMAN RESOURCES

The Group had 2,634 employees at the end of 2010 (2009: 2,822). Total gross amount of salaries and related costs incurred in the corresponding period amounted to HK$712 million (2009: HK$704 million).

Corporate Governance Report

(A) CORPORATE GOVERNANCE PRACTICES

During the financial year ended December 31, 2010, all the code provisions set out in the Code on Corporate Governance Practices (the "Code") in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") were met by the Company, with the exception of one deviation as set out under section (D) below. The application of the relevant principles, and the reasons for the abovementioned deviation from a Code provision, are stated in the following sections.

(B) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors of the Company who were in office during the financial year ended December 31, 2010, they have confirmed that they have complied with the Model Code during the financial year.

(C) BOARD OF DIRECTORS

(i) Composition of the Board, number of Board meetings and Directors' attendance

The Company's Board has a balance of skills and experience and a balanced composition of executive and non-executive directors. Five Board meetings were held during the financial year ended December 31, 2010. The composition of the Board and attendance of the Directors are set out below:

Directors	Attendance/Number of Meetings
Chairman and Chief Executive Officer	
Stephen T H Ng	5/5
Chief Financial Officer	
William J H Kwan	5/5
Non-executive Director	
Paul Y C Tsui	5/5
Independent Non-executive Directors	
T K Ho	4/5
Roger K H Luk *(appointed on September 16, 2010)*	0/1
Patrick Y W Wu	5/5
Anthony K K Yeung	4/5

Each Director of the Company has been appointed on the strength of his calibre, experience and stature, and his potential to contribute to the proper guidance of the Group and its businesses. Apart from formal meetings, matters requiring Board approval were arranged by means of circulation of written resolutions.

(ii) Operation of the Board

The Company is headed by an effective Board which makes decisions objectively in the interests of the Company. The Company's management has closely monitored changes to regulations that affect its corporate affairs and businesses, and changes to accounting standards, and adopted appropriate reporting format in its interim report, annual report and other related documents to present a balanced, clear and comprehensible assessment of the Group's performance, position and prospects. Where these changes are pertinent to the Company or Directors' disclosure obligations, the Directors are either briefed during Board meetings or issued with regular updates and materials to keep them abreast of their responsibilities and of the conduct, business activities and development of the Group. Newly appointed Directors receive briefings and orientation on their legal and other responsibilities as a Director and the role of the Board. The Company has also provided appropriate information in a timely manner to the Directors to enable them to make an informed decision and to discharge their duties and responsibilities as Directors of the Company.

There is a clear division of responsibilities between the Board and the management. Decisions on important matters are specifically reserved to the Board while decisions on the Group's general operations are delegated to the management. Important matters include those affecting the Group's strategic policies, major investment and funding decisions and major commitments relating to the Group's operations.

(D) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr Stephen T H Ng serves as the Chairman and Chief Executive Officer of the Company. This is a deviation from the Code provision with respect to the roles of chairman and chief executive officer to be performed by different individuals. Such deviation is deemed necessary as, given the nature and size of the Company's business, it is at this stage considered to be more efficient to have one single person to be the Chairman of the Company as well as to discharge the executive functions of a chief executive officer. The Board of Directors believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high calibre individuals, a substantial proportion thereof being Independent Non-executive Directors.

(E) NON-EXECUTIVE DIRECTORS

All those existing Directors of the Company who do not hold any executive office of the Company have their respective terms of appointment coming to an end normally three years after their appointment to the Board or (in the case of Directors who were re-elected to the Board at previous Annual General Meetings) their last re-election as Directors.

(F) REMUNERATION OF DIRECTORS

The Company has set up a Compensation Committee consisting of two Independent Non-executive Directors.

One Compensation Committee meeting was held during the financial year ended December 31, 2010. Attendance of the Members is set out below:

Members	**Attendance/Number of Meeting**
Anthony K K Yeung, *Chairman*	1/1
T K Ho	1/1

(i) The terms of reference of the Compensation Committee are aligned with the provisions set out in the Code. Given below are the main duties of the Compensation Committee:-

   (a) to consider the Company's policy and structure for all remuneration of Directors and senior management;

   (b) to determine the specific remuneration packages of all executive Directors and senior management;

   (c) to review performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

   (d) to review the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment; and

   (e) to review compensation arrangements relating to dismissal or removal of Directors for misconduct.

(ii) The work performed by the Compensation Committee for the financial year ended December 31, 2010 is summarised below:

   (a) review of the Company's policy and structure for all remuneration of Directors and senior management;

   (b) consideration of the emoluments for all Directors and senior management; and

   (c) review of the level of fees for Directors and Audit Committee Members.

The basis of determining the emoluments payable to its Directors and senior management by the Company is by reference to the level of emoluments normally paid by a listed company in Hong Kong to directors and senior executives of comparable calibre and job responsibilities so as to ensure a fair and competitive remuneration package as is fit and appropriate. The basis of determining the Directors' fees, currently at the rate of HK$60,000 per annum per Director, payable to Directors of the Company, and the Audit Committee Members' fees, currently at the rate of HK$20,000 per annum per Member, payable to those Directors of the Company who are also Members of the Audit Committee of the Company is by reference to the level of fees of similar nature normally paid by a listed company in Hong Kong to its directors.

(G) NOMINATION OF DIRECTORS

The Company does not have a nomination committee as the role and function of such committee are performed by the Board.

The Board is responsible for the formulation of the nomination policies, making recommendations to Shareholders on Directors standing for re-election, providing sufficient biographical details of Directors to enable Shareholders to make an informed decision on the re-election, and where necessary, nominating Directors to fill casual vacancies. The Chairman from time to time reviews the composition of the Board with particular regard to ensuring that there is an appropriate number of Directors on the Board independent of management. He also identifies and nominates qualified individuals for appointment as new Directors of the Company. New Directors of the Company will be appointed by the Board. Any and all new Directors are subject to retirement from the Board at the Annual General Meeting of the Company immediately following his or her appointment and may stand for re-election at the Annual General Meeting.

(H) AUDITORS' REMUNERATION

The fees in relation to the audit services for the financial year ended December 31, 2010 provided by KPMG, the external auditors of the Company, amounted to HK$2,488,000.

(I) AUDIT COMMITTEE

All the Members of the Audit Committee of the Company are appointed from the Independent Non-executive Directors.

All Members have sufficient experience in reviewing audited financial statements as aided by the auditors of the Group whenever required. In addition, Mr Anthony K K Yeung has the appropriate professional qualifications and experience in financial matters.

Two Audit Committee meetings were held during the financial year ended December 31, 2010. Attendance of the Members is set out below:

Members	**Attendance/Number of Meetings**
Anthony K K Yeung, *Chairman*	2/2
T K Ho	2/2
Patrick Y W Wu	2/2

(i) The terms of reference of the Audit Committee are aligned with the recommendations set out in "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants. Given below are the main duties of the Audit Committee:

(a) to consider the appointment of the external auditors and any questions of resignation or dismissal;

(b) to discuss with the external auditors before the audit commences, the nature and scope of the audit;

(c) to review the half-year and annual financial statements before submission to the Board, focusing particularly on:

(1) any changes in accounting policies and practices;
(2) major judgmental areas;
(3) significant adjustments resulting from the audit;
(4) the going concern assumption;
(5) compliance with accounting standards; and
(6) compliance with stock exchange listing rules and legal requirements;

(d) to discuss problems and reservations arising from the audits, and any matters the external auditors may wish to discuss (in the absence of management where necessary);

(e) to discuss with the management the system of internal control including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget; and

(f) to review the audit programme of the internal audit function.

(I) AUDIT COMMITTEE *(continued)*

(ii) The work performed by the Audit Committee for the financial year ended December 31, 2010 is summarised below:

(a) approval of the remuneration and the appointment and the terms of engagement of the external auditors;

(b) review of the external auditors' independence and objectivity and the effectiveness of audit process in accordance with applicable standards;

(c) review of the half-year and annual financial statements before submission to the Board, with particular consideration of the points mentioned in paragraph (i)(c) above regarding the duties of the Audit Committee;

(d) discussion with the external auditors before the audit commences, the nature and scope of the audit;

(e) review of the audit programme of the internal audit function;

(f) review of the Group's financial controls, internal control and risk management systems; and

(g) meeting with the external auditors without executive Board members present.

(J) INTERNAL CONTROL

The Directors are ultimately responsible for the internal control system of the Group and, through the Audit Committee, have reviewed the effectiveness of the system, including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting functions, and their training programmes and budget. The internal control system comprises a well-defined organisational structure with specified limits of authority in place. Areas of responsibility of each business and operational units are also clearly defined to ensure effective checks and balances.

Procedures have been designed for safeguarding assets against unauthorised use or disposition, maintenance of proper accounting records, assurance of the reliability of financial information for internal use or publication and compliance with relevant legislation and regulations. Such procedures are designed to manage risks of failure in operational systems and can provide reasonable assurance against material errors, losses or fraud.

The internal audit function monitors compliance with policies and standards and the effectiveness of internal control structures across the whole Group. Findings regarding internal control matters are reported to the Audit Committee. The external auditors have access to a full set of internal audit reports.

A review of the effectiveness of the Group's internal control system and procedures covering all controls, including financial, operational and compliance and risk management, and the adequacy of, *inter alia*, resources, qualifications, experience and training of staff of the Company's accounting and financial reporting function was conducted by the Audit Committee and subsequently reported to the Board during the financial year ended December 31, 2010. Based on the result of the review, in respect of the financial year ended December 31, 2010, the Directors considered that the internal control system and procedures of the Group were effective and adequate.

(K) DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of financial statements for the financial year ended December 31, 2010, which give a true and fair view of the affairs of the Company and of the Group and of the Group's results and cash flow for the year then ended and in compliance with the requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

In preparing the financial statements for the financial year ended December 31, 2010:

(i) appropriate accounting policies are selected, applied consistently and in accordance with the Hong Kong Financial Reporting Standards;

(ii) prudent and reasonable judgements and estimates are made; and

(iii) the reasons for any significant departure from applicable accounting standards are stated, if applicable.

(L) COMMUNICATION WITH SHAREHOLDERS

The Group uses several formal channels to ensure fair disclosure and comprehensive and transparent reporting of its performance and activities. Annual and interim reports are published/printed and printed copies of such reports or notifications of publication thereof on the Company's website are sent to all Shareholders. Such reports and press releases are posted and are available for download at the Company's corporate website www.i-cablecomm.com. The Company's corporate website also provides email address, postal address, fax number and telephone number by which enquiries may be put to the Company's Board. Constantly being updated in a timely manner, the website contains a wide range of additional information on the Group's business activities. As a standard part of the investor relations programme to maintain a constant dialogue on the Group's performance and objectives, senior executives hold regular briefings and attend conferences with institutional investors and financial analysts.

The Company encourages its Shareholders to attend Annual General Meetings to ensure a high level of accountability and for Shareholders to stay informed of the Group's strategy and goals.

The Board and external auditors attend the Annual General Meetings to answer Shareholders' questions.

(M) SHAREHOLDERS' RIGHTS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

Pursuant to the Hong Kong Companies Ordinance, on requisition by one or more Shareholders in aggregate holding not less than 5% of the paid-up capital of the Company carrying the right to vote at general meetings, the Directors of the Company must convene an extraordinary general meeting.

Report of the Directors

The Directors submit herewith their Report and the Audited Financial Statements for the financial year ended December 31, 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and those of its subsidiaries which principally affected the results, assets or liabilities of the Group are set out in Note 17 to the Financial Statements on pages 64 and 65.

RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group for the financial year ended December 31, 2010 are set out in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income on pages 28 and 29 respectively.

Appropriations and movements in reserves during the financial year are set out in the Consolidated Statement of Changes in Equity on page 33.

DIVIDENDS

The Directors do not recommend the payment of any dividend in respect of the financial year ended December 31, 2010.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the financial year are set out in Note 12 to the Financial Statements on pages 60 and 61.

DONATIONS

The Group made donations during the financial year totalling HK$2,000.

DIRECTORS

The Directors of the Company during the financial year were Mr Stephen T H Ng, Mr William J H Kwan, Mr T K Ho, Mr Roger K H Luk (appointed on September 16, 2010), Mr Paul Y C Tsui, Mr Patrick Y W Wu and Mr Anthony K K Yeung.

Mr Roger K H Luk, being appointed as a Director of the Company after the last Annual General Meeting, is due to retire from the Board in accordance with Article 78 of the Company's Articles of Association, and Messrs Patrick Y W Wu and Anthony K K Yeung are also due to retire from the Board by rotation in accordance with Article 82, at the forthcoming Annual General Meeting. Being eligible, they offer themselves for re-election. None of the retiring Directors proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

INTERESTS IN CONTRACTS

No contract of significance in relation to the Company's business to which the Company, its subsidiaries or its ultimate holding company or any subsidiary of that ultimate holding company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during that financial year.

MANAGEMENT CONTRACTS

There was in existence during the year ended December 31, 2010 a management services agreement dated November 1, 1999 with Wharf Limited (a wholly-owned subsidiary of The Wharf (Holdings) Limited ("Wharf")), as revised by three supplemental agreements, whereby Wharf Limited agreed to continue to provide or procure the provision of services including corporate secretarial services, treasury services, provision of management personnel and other general corporate services to the Group for a term expiring on December 31, 2012. Mr Stephen T H Ng and Mr Paul Y C Tsui were directors of Wharf and/or Wharf Limited and are accordingly regarded as interested in the said agreement.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the financial year was the Company, its subsidiaries or its ultimate holding company or any subsidiary of that ultimate holding company a party to any arrangement to enable the Directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the financial year.

AUDITORS

The Financial Statements now presented have been audited by KPMG, Certified Public Accountants, who retire and being eligible, offer themselves for re-appointment.

By Order of the Board
Wilson W S Chan
Secretary

Hong Kong, March 15, 2011

SUPPLEMENTARY CORPORATE INFORMATION

(A) BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGERS ETC.

(I) Directors

Stephen Tin Hoi NG, *Chairman and Chief Executive Officer (Age: 58)*

Mr Ng has been Director and Chief Executive Officer of the Company since 1999 and became its Chairman in August 2001. He is also the deputy chairman of publicly-listed Wheelock and Company Limited ("Wheelock"), which is the ultimate holding company of the Company, and deputy chairman and managing director of publicly-listed The Wharf (Holdings) Limited ("Wharf") of which the Company is a subsidiary, and chairman of Harbour Centre Development Limited ("HCDL"), being a publicly-listed fellow subsidiary of the Company. Furthermore, Mr Ng is chairman of Modern Terminals Limited, chairman and chief executive officer of Wharf T&T Limited ("WTT"), and director and chief executive officer of Wharf Communincations Limited ("Wharf Communications"), all being fellow subsidiaries of the Company, as well as a director of certain subsidiaries of the Company. Mr Ng is also the chairman of publicly-listed Joyce Boutique Holdings Limited ("Joyce"). The basic salary and various allowances (covered by service contract), of Mr Ng for the year 2011, calculated on annualised basis, would be approximately HK$1.90 million (2010: HK$1.86 million) per annum.

William Jut Ho KWAN, *Director and Chief Financial Officer (Age: 47)*

Mr Kwan was appointed Chief Financial Officer in January 2006 and a Director of the Company in February 2007. He is responsible for finance, accounting, planning, corporate development, investor relations, new media development, film production and distribution, broadcasting and engineering operations, commercial dealings with acquired channels, human resources and administration. He is also a director of certain subsidiaries of the Company. Under the existing service contract between the Group and Mr Kwan, his basic salary and various allowances for the year 2011, calculated on annualised basis, would be approximately HK$1.80 million (2010: HK$1.68 million) per annum.

Ting Kwan HO, *Director (Age: 66)*

Mr Ho has been an Independent Non-executive Director of the Company since 2009. He also serves as a member and the deputy chairman of the Company's Audit Committee, and a member of the Compensation Committee. Mr Ho has over 40 years of comprehensive experience in the television broadcasting industry. He joined Television Broadcasts Limited ("TVB"), publicly listed in Hong Kong, in 1968. He was appointed general manager-television broadcasting of TVB in November 1995, became its group general manager in 2002, and was appointed a director of TVB in June 2003. In April 2005, he resigned from TVB but remained as a director until April 2007. In mid-2007, Mr Ho joined Asia Television Limited and became its chief operating officer until his retirement at the end of 2008.

Roger Koon Hoo LUK, *BBS, JP, Director (Age: 59)*

Mr Luk, *FHKIB*, was appointed an Independent Non-executive Director of the Company in September 2010. He has over 30 years of comprehensive experience in accounting and financial management. He joined Hang Seng Bank in 1975, became the bank's director and deputy chief executive in 1994 and then became managing director and deputy chief executive of the bank in 1996 until his retirement in May 2005. Mr Luk is an independent non-executive director ("INED") of three companies publicly listed in Hong Kong, namely, China Properties Group Limited, Computime Group Limited and Hung Hing Printing Group Limited, and also an INED of AXA General Insurance Hong Kong Limited, Octopus Cards Limited and WTT. Mr Luk was formerly an INED of Wheelock Properties Limited ("WPL", formerly a listed public company until it became a wholly-owned subsidiary of Wheelock in July 2010) from February 2008 to July 2010. He also serves as a council member and the treasurer of The Chinese University of Hong Kong, a member of The Town Planning Board and a non-official member of the Operations Review Committee of the Independent Commission Against Corruption. Mr Luk also served in the past on the Court and Council of Hong Kong Baptist University, the Advisory Committee on New Broad-based Taxes, the Personal Data (Privacy) Advisory Committee, the Central Policy Unit of the Hong Kong Government, the Statistics Advisory Board, the Broadcasting Authority, the Advisory Committee and the Investor Education Advisory Committee of the Securities and Futures Commission and the Barristers Disciplinary Tribunal Panel. He was an appointed member of the Hong Kong Legislative Council from 1992 to 1995, and also a member of the first Election Committee of the Legislative Council.

Mr Luk graduated with a Bachelor of Social Sciences Degree in Statistics from The University of Hong Kong and also holds a Master of Business Administration Degree granted by The Chinese University of Hong Kong. He is also a Non-official Justice of the Peace and was awarded the honour of Bronze Bauhinia Star in 2004 in recognition of his contributions to public services.

(A) BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGERS ETC. *(continued)*

(I) Directors *(continued)*

Paul Yiu Cheung TSUI, *Director (Age: 64)*

Mr Tsui, *FCCA, FCPA, FCMA, FCIS, CGA-Canada*, has been a Director of the Company since 2009. He is an executive director and group chief financial officer of both Wheelock and Wharf. Mr Tsui joined Wheelock/Wharf group in 1996 and became Wheelock's director in 1998. He is presently a director of HCDL, Joyce and Wheelock Properties (Singapore) Limited, being a publicly-listed fellow subsidiary of the Company. Furthermore, Mr Tsui is a director of WPL and WF Investment Partners Limited ("WFIP"), both being fellow subsidiaries of the Company, as well as a director of certain subsidiaries of the Company.

Patrick Yung Wei WU, *Director (Age: 58)*

Mr Wu has been an Independent Non-executive Director of the Company since 2007. He also serves as a member of the Company's Audit Committee. Mr Wu is a managing director of American Appraisal Associates, Inc. ("AAA") and the president & managing director of American Appraisal China Limited, AAA's key operation in Asia. Mr Wu has worked both in industry as a senior executive with extensive management experience and in private practice as a lawyer. Prior to joining AAA, he was a partner of an international law firm with particular responsibility for China trade advice. Mr Wu was educated in Hong Kong and the United Kingdom. He graduated from the University of London in 1974 with a Bachelor's Degree in Science, and obtained his Master of Business Administration Degree from the Cass Business School, City University in London in 1976. Mr Wu was admitted as a solicitor of the Supreme Court in the UK in 1982 and in Hong Kong also in 1982 and is a member (non-practising) of The Law Society of Hong Kong. He is also an active member of various professional organisations, chambers of commerce and the business community in Hong Kong.

Anthony Kwok Ki YEUNG, *JP, Director (Age: 65)*

Mr Yeung, *FCCA, FCPA (Practising), FCMA, FCIS, FTIHK*, has been an Independent Non-executive Director of the Company since 2004. He also serves as a member and the chairman of each of the Company's Audit Committee and Compensation Committee. He is the chairman of K K Yeung Management Consultants Ltd. and Wall Street Resources Ltd. Furthermore, he is a managing partner of K K Yeung Partnership, Certified Public Accountants (Practising).

Mr Yeung is a member of the General Committee of the Hong Kong General Chamber of Commerce and the chairman of the Management Consultancies Association of Hong Kong. He is a member of the Innovation and Technology Fund General Support Programme Vetting Committee appointed by the Secretary for Commerce, Industry and Technology, and also a member of the Election Committee of the Government of the HKSAR.

In July 2004, Mr Yeung was appointed as a Justice of the Peace. In January 2005, Mr Yeung was conferred "Grade of Knight of the Crown" by King Albert II of Belgians. Furthermore, he was appointed as the Hon. Ambassador of the Noord-Holland Province of the Netherlands in 2007.

Notes:

(1) Wheelock, Wharf, WFIP and Wharf Communications (of which Mr Stephen T H Ng and/or Mr Paul Y C Tsui is/are director(s)) have interests in the share capital of the Company discloseable to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO").

(2) The Company confirms that it has received written confirmation from each of the Independent Non-executive Directors confirming their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong (the "Stock Exchange"), and considers them independent.

SUPPLEMENTARY CORPORATE INFORMATION *(continued)*

(A) BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGERS ETC. *(continued)*

(II) Senior management

Stephen T H Ng, *Chairman & Chief Executive Officer*

William J H Kwan, *Director & Chief Financial Officer*

Ronald Y C Chiu, *Executive Director, i-CABLE News Limited and i-CABLE Sports Limited (Age: 58)*

Mr Chiu was appointed Assistant News Controller in June 1993 and was instrumental in the launch of the first 24-hour Cantonese language News Channel in the world. Mr Chiu was promoted to News Controller in 1994 and appointed as Vice President, News & Sports in 2002. He became an executive director of i-CABLE News Limited and i-CABLE Sports Limited in September 2005. Mr Chiu is now responsible for operating channels of the Sports and News platform. Prior to joining Hong Kong Cable Television Limited ("HKC"), Mr Chiu held various senior news positions in the television industry. His experience spans from reporting, editing, news anchoring, to planning and execution of news coverage as well as management of news operation.

Samuel C C Tsang, *Executive Director, i-CABLE Entertainment Limited and Hong Kong Cable Enterprises Limited (Age: 54)*

Mr Tsang was appointed Enterprises Director in 1995 to take charge of international programme licensing and advertising sales for the station. He became chief operating officer of Hong Kong Cable Enterprises Limited ("HKCE") when it was set up in 2000 to take over advertising sales of HKC. He became General Manager of both HKCE and Hong Kong Cable News Express Limited on March 1, 2005. Mr Tsang has extensive experience in media and marketing, specialising in new business establishment in Mainland China and Hong Kong. He assumed the additional position of Executive Director, i-CABLE Entertainment Limited, in March 2011, and is also responsible for the operation and development of the Group's entertainment platform.

Vincent C S Cheung, *Senior Vice President, Subscription Services (Age: 42)*

Mr Cheung joined HKC in June 1993, specialising in service marketing. He has held various key positions in this area of the Group's business, pioneering the Group's Pay TV business in non-residential sectors as well as driving market penetration at residential estates. Mr Cheung was appointed Vice President – Subscription Services, HKC, in January 2009. His current duties include overseeing HKC's subscription services and the development of Pay TV and Broadband services.

Simon K K Yu, *Senior Vice President, i-CABLE Network Operations Limited (Age: 56)*

Mr Yu joined the Wharf group in 1987 and has held various administration and audit positions in the Wharf group. He was appointed corporate controller-operations of Wharf Communications in 1992, responsible for operations, accounting, finance, control, administration and personnel. In 1996, Mr Yu was appointed Administration and Audit Director of HKC. He became Vice President – i-CABLE Network Operations Limited in 2006 to take charge of operations of the company's HFC & MMDS networks.

Danny T H Lo, *Vice President, External Affairs (Age: 51)*

Mr Lo joined HKC in 2004 and became Vice President – External Affairs in July 2010. He is responsible for formulating and implementing regulatory and external affairs strategies and action plans for the Group. Mr Lo came from a diverse media background, having held key positions in various media organisations in Hong Kong. He was a media consultant prior to joining HKC.

(B) DIRECTORS' INTERESTS IN SHARES

At December 31, 2010, Directors of the Company had the following beneficial interests, all being long positions, in the securities of the Company, Wharf (which is the Company's parent company), and Wheelock (which is Wharf's parent company), and Wharf Finance (No. 1) Limited (which is a fellow subsidiary of the Company), and the percentages (if applicable) which the relevant securities represented to the issued share capitals of the four relevant companies respectively are also set out below:

	Quantity held (percentage of issued capital, if applicable)	**Nature of interest**
The Company		
Stephen T H Ng	1,265,005 (0.0629%)	Personal interest
Wheelock		
Stephen T H Ng	300,000 (0.0148%)	Personal interest
Wharf		
Stephen T H Ng	731,314 (0.0266%)	Personal interest
Wharf Finance (No. 1) Limited		
Roger K H Luk	HK$1,000,000	Personal interest
	HK$1,000,000	Family interest

Note: Subsequent to the financial year end, Mr Stephen T H Ng fully subscribed for his pro rata rights entitlement under a 1-for-10 rights issue by Wharf and he was accordingly allotted 73,131 shares of Wharf on March 18, 2011. Consequently, Mr Stephen T H Ng was interested in 804,445 shares of Wharf following such allotment.

Except as disclosed above, as recorded in the register kept by the Company under section 352 of the SFO in respect of information required to be notified to the Company and the Stock Exchange by the Directors and/or Chief Executive of the Company pursuant to the SFO or to the Model Code for Securities Transactions by Directors of Listed Issuers, there were no interests, both long and short positions, held as at December 31, 2010 by any of the Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), nor had there been any rights to subscribe for any shares, underlying shares or debentures of the Company held by any of them at any time during the financial year.

(C) SUBSTANTIAL SHAREHOLDERS' INTERESTS

Given below are the names of all parties which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital of the Company as at December 31, 2010, the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at that date as recorded in the register kept by the Company under section 336 of the SFO (the "Register") and the percentages which the shares represented to the issued share capital of the Company:

	Names	**No. of ordinary shares** (percentage of issued capital)
(i)	Wharf Communications Limited	1,480,505,171 (73.60%)
(ii)	The Wharf (Holdings) Limited	1,480,505,171 (73.60%)
(iii)	WF Investment Partners Limited	1,480,505,171 (73.60%)
(iv)	Wheelock and Company Limited	1,481,442,626 (73.65%)
(v)	HSBC Trustee (Guernsey) Limited	1,481,442,626 (73.65%)
(vi)	Marathon Asset Management Limited	121,332,000 (6.03%)
(vii)	Matthews International Capital Management, LLC	141,739,000 (7.05%)

Note: For the avoidance of doubt and double counting, it should be noted that duplication occurs in respect of the shareholdings stated against parties (i) to (v) above to the extent that the shareholding stated against party (i) above was entirely duplicated or included in that against party (ii) above, with the same duplication of the shareholdings in respect of (ii) and (iii), (iii) and (iv) and (iv) and (v).

All the interests stated above represented long positions and as at December 31, 2010, there were no short position interests recorded in the Register.

SUPPLEMENTARY CORPORATE INFORMATION *(continued)*

(D) RETIREMENT SCHEME AND MANDATORY PROVIDENT FUND

The principal retirement scheme operated by the Group is a defined contribution retirement scheme for its employees, established under a trust deed. Other fellow subsidiaries of the Company also participate in the scheme.

The scheme is funded by contributions from employees and employers. The employees and employers contribute respectively to the scheme sums which represent percentages of the employees' salaries as defined under the trust deed. Forfeited contributions may be utilised by the employers to reduce contributions.

The Group's principal retirement scheme is closed to new employees joining after October 1, 2000 while existing members of the scheme can continue to accrue future benefits.

Employees joining after October 1, 2000 will participate in the Mandatory Provident Fund ("MPF") with terms as stipulated by the MPF Authority. The Group will also provide voluntary top-up benefits to employees receiving a monthly basic salary exceeding HK$20,000 which is the relevant income cap as stipulated by the MPF Ordinance.

The Group's retirement scheme costs before capitalisation and charged to the consolidated income statement during the financial year ended December 31, 2010 amounted to HK$19,345,615 (2009: HK$18,400,639) which were incurred after utilisation of forfeitures to reduce the Group's contributions of HK$488,038 (2009: HK$934,899).

Note: The total employers' cost in respect of the retirement scheme of the Group, including the cost related to the MPF which is not operated by the Group, charged to consolidated income statement during the financial year ended December 31, 2010 amounted to HK$34,455,773 (2009: HK$32,859,141).

(E) DIRECTORS' INTERESTS IN COMPETING BUSINESS

Set out below is information disclosed pursuant to Rule 8.10 of the Listing Rules:

Three Directors of the Company, namely, Mr Stephen T H Ng, Mr William J H Kwan and Mr Paul Y C Tsui, being also directors of i-CABLE Telecom Limited ("iTL") and/or WTT, wholly-owned subsidiaries of Wharf, are considered as having an interest in iTL and/or WTT under Rule 8.10 of the Listing Rules.

Part of the communications businesses carried by iTL and WTT constitutes a competing business to the Group.

WTT currently holds a FTNS licence to provide, *inter alia*, local and international telecommunications services whereas iTL provides telecom services for residential line. iTL and WTT are therefore potential competitors of the Group for the provision of data services at present and voice services in future.

In order to protect the interests of the Group, prior to the date of listing of shares of the Company on the Stock Exchange, each of Wharf and Wharf Communications (being a wholly-owned subsidiary of Wharf) has covenanted with the Company, subject to certain conditions, not to, and to use its best endeavours to procure that none of the directly or indirectly held subsidiaries (including WTT) and associated companies of Wharf will, either alone or jointly with any other party, directly and indirectly carry on, or be engaged or concerned or interested in or assist, any business in Hong Kong which would compete directly or indirectly with the Pay TV and Internet access businesses of the Group from time to time.

The Group considers that its interests in the relevant sector of its communications businesses are adequately safeguarded and the Group is capable of carrying on its communications businesses independently of iTL and WTT.

For further safeguarding of the interests of the Group, the Independent Non-executive Directors and the Audit Committee of the Company would on a regular basis review the business and operational results of the Group to ensure, *inter alia*, that the Group's communications businesses are and continue to be run on the basis that they are independent of, and at arm's length from, that of the Wharf group.

(F) MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended December 31, 2010:

(I) the aggregate amount of purchases (not including the purchases of items which are of a capital nature) attributable to the Group's five largest suppliers represented less than 30% of the Group's total purchases; and

(II) the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover.

(G) BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

The Group did not have any bank loans, overdrafts and other borrowings outstanding as at December 31, 2010.

(H) INTEREST CAPITALISED

No interest was capitalised by the Group during the financial year ended December 31, 2010.

(I) PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules throughout the financial year ended December 31, 2010.

(J) DISCLOSURE OF CONNECTED TRANSACTIONS

(I) Set out below is information in relation to certain continuing connected transactions (the "Connected Transactions") between the Company (the Company being a 73.60%-owned subsidiary of Wharf), and/or its subsidiaries (together, the "Group") and other members of the Wharf group, which were substantially disclosed in an announcement of the Company dated November 24, 2009 and are required under the Listing Rules to be disclosed in the Annual Report and Financial Statements of the Company:

Description of the Connected Transactions	**Amounts for the financial year ended December 31, 2010** HK$ million
(a) Master Tenancy Agreement	39.1
Amount paid/payable by the Group	
(b) Master Licence Agreement for the Wharf group to occupy premises	6.1
Amount received/receivable by the Group	
(c) Master Services Agreement	
1. Amount received/receivable by the Group	50.0
2. Amount paid/payable by the Group	37.4
(d) Management services provided by the Wharf group	
Amount paid/payable by the Group	5.7
(e) Sales and Servicing Agency	
1. Amount received/receivable by the Group	13.3
2. Amount paid/payable by the Group	6.4

The above transactions are subject to various annual cap amounts previously disclosed in the abovementioned announcement of the Company. The various agreements of the above transactions will expire on December 31, 2012. The purposes of entering into the Connected Transactions are for the continued operation and growth of the Group's business, for generation of recurrent rental revenue to the Group and/or maintaining revenue stream for the Group.

SUPPLEMENTARY CORPORATE INFORMATION *(continued)*

(J) DISCLOSURE OF CONNECTED TRANSACTIONS *(continued)*

(II) Confirmation from Directors etc.

The Directors, including the Independent Non-executive Directors, of the Company have reviewed the Connected Transactions and have confirmed that the Connected Transactions were entered into:

(a) by the Group in the ordinary and usual course of its business;

(b) either on normal commercial terms or, if there are not sufficient comparable transactions, on terms that are no less favourable than those available to or from (as appropriate) independent third parties; and

(c) in accordance with the relevant agreements governing such Connected Transactions on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

Furthermore, the auditors of the Company have advised the following:

1. the Connected Transactions had been approved by the Company's Board of Directors;

2. the Connected Transactions, including those which involved provisions of goods or services by the Group, are in accordance with the pricing policies of the Group, where applicable;

3. the Connected Transactions were entered into in accordance with the terms of the related agreements governing the Connected Transactions; and

4. the relevant cap amounts have not been exceeded during the financial year ended December 31, 2010.

Note: Certain particulars of the related party transactions entered into by the Group during the financial year ended December 31, 2010 under review have been disclosed in Note 36 to the Financial Statements on page 81. Those related party transactions also constitute connected transactions (as defined in the Listing Rules) for the Company.

Independent Auditor's Report

To the shareholders of i-CABLE Communications Limited
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of i-CABLE Communications Limited (the "Company") and its subsidiaries (together "the Group") set out on pages 28 to 83 which comprise the consolidated and company statements of financial position as at December 31, 2010, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company statements of changes in equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at December 31, 2010 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

March 15, 2011

Consolidated Income Statement

For the year ended December 31, 2010

	Note	2010 HK$'000	2009 HK$'000
Turnover	3, 4	**2,002,055**	1,754,374
Programming costs		**(1,273,649)**	(818,884)
Network expenses		**(233,314)**	(244,480)
Selling, general and administrative and other operating expenses		**(434,981)**	(425,133)
Cost of sales		**(55,206)**	(52,199)
Profit from operations before depreciation		**4,905**	213,678
Depreciation	5	**(253,778)**	(257,954)
Loss from operations	4	**(248,873)**	(44,276)
Interest income	5	**309**	217
Finance costs, net	5	**319**	(1)
Impairment losses on investment	5	**(1,649)**	(1,693)
Non-operating income/(expenses)		**670**	(1,400)
Share of loss of associate		**(41,078)**	(30)
Loss before taxation	5	**(290,302)**	(47,183)
Income tax	6(a)	**23,414**	7,152
Loss for the year		**(266,888)**	(40,031)
Attributable to:			
Equity shareholders of the Company		**(267,366)**	(40,902)
Non-controlling interests		**478**	871
Loss for the year		**(266,888)**	(40,031)
Loss per share			
Basic	11	**(13.3) cents**	(2.0) cents
Diluted	11	**(13.3) cents**	(2.0) cents

The notes on pages 36 to 83 form part of these financial statements. Details of dividends payable to equity shareholders of the Company are set out in Note 29(a).

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2010

	Note	2010 HK$'000	2009 HK$'000
Loss for the year		**(266,888)**	(40,031)
Other comprehensive income for the year (after reclassification adjustment)	*10*		
Exchange difference on translation of foreign subsidiaries' financial statements		**560**	79
Available-for-sale securities: net movement in the fair value reserve		**—**	—
Share of post-acquisition reserve of associate		**2,932**	(936)
		3,492	(857)
Total comprehensive income for the year		**(263,396)**	(40,888)
Attributable to:			
Equity shareholders of the Company		**(263,937)**	(41,775)
Non-controlling interests		**541**	887
Total comprehensive income for the year		**(263,396)**	(40,888)

The notes on pages 36 to 83 form part of these financial statements.

Consolidated Statement of Financial Position

At December 31, 2010

	Note	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	12	**1,146,422**	1,153,257
Programming library	13	**113,587**	113,794
Other intangible assets	14	**4,006**	4,006
Interest in associate	15	**—**	38,145
Deferred tax assets	30(b)	**343,145**	330,305
Other non-current assets	16	**110,989**	81,511
		1,718,149	1,721,018
Current assets			
Inventories	19	**5,641**	4,542
Accounts receivable from trade debtors	20	**67,383**	55,742
Deposits, prepayments and other receivables	20	**78,670**	319,827
Amounts due from fellow subsidiaries	21	**4,164**	2,814
Cash and cash equivalents	22	**446,682**	530,852
		602,540	913,777
Current liabilities			
Amounts due to trade creditors	23	**85,426**	91,058
Accrued expenses and other payables	23	**210,215**	243,324
Receipts in advance and customers' deposits	23	**174,844**	155,595
Current taxation	30(a)	**1,791**	2,132
Amounts due to fellow subsidiaries	25	**28,234**	48,110
Amount due to immediate holding company	26	**1,816**	1,872
		502,326	542,091
Net current assets		**100,214**	371,686
Total assets less current liabilities		**1,818,363**	2,092,704
Non-current liabilities			
Deferred tax liabilities	30(b)	**63,076**	74,118
Other non-current liabilities	27	**8,398**	8,301
		71,474	82,419
NET ASSETS		**1,746,889**	2,010,285

	Note	2010 HK$'000	2009 HK$'000
Capital and reserves	*29*		
Share capital		**2,011,512**	2,011,512
Reserves		**(267,862)**	(3,925)
Total equity attributable to equity shareholders of the Company		**1,743,650**	2,007,587
Non-controlling interests		**3,239**	2,698
TOTAL EQUITY		**1,746,889**	2,010,285

The notes on pages 36 to 83 form part of these financial statements.

Approved and authorised for issue by the Board of Directors on March 15, 2011.

Stephen T H Ng
Chairman and Chief Executive Officer

William J H Kwan
Director and Chief Financial Officer

Company Statement of Financial Position

At December 31, 2010

	Note	2010 HK$'000	2009 HK$'000
Non-current assets			
Investments in subsidiaries	*17*	**12**	12
Amounts due from subsidiaries	*18*	**7,650,505**	7,629,782
		7,650,517	7,629,794
Current assets			
Prepayments and other receivables	*20*	**347**	635
Amounts due from fellow subsidiaries	*21*	**415**	—
Amount due from immediate holding company	*26*	**—**	13
Cash and cash equivalents	*22*	**355,360**	411,655
		356,122	412,303
Current liabilities			
Accrued expenses, other payables and deposit received	*23*	**1,669**	3,005
Amounts due to subsidiaries	*24*	**510,512**	537,120
Amounts due to fellow subsidiaries	*25*	**4,643**	13,375
		516,824	553,500
Net current liabilities		**(160,702)**	(141,197)
NET ASSETS		**7,489,815**	7,488,597
Capital and reserves	*29*		
Share capital		**2,011,512**	2,011,512
Reserves		**5,478,303**	5,477,085
TOTAL EQUITY		**7,489,815**	7,488,597

The notes on pages 36 to 83 form part of these financial statements.

Approved and authorised for issue by the Board of Directors on March 15, 2011.

Stephen T H Ng
Chairman and Chief Executive Officer

William J H Kwan
Director and Chief Financial Officer

Consolidated Statement of Changes in Equity

For the year ended December 31, 2010

		Attributable to equity shareholders of the Company											
	Note	**Share capital** HK$'000	**Share premium** HK$'000	**Special capital reserve** HK$'000	**Exchange reserve** HK$'000	**Capital redemption reserve** HK$'000	**Fair value reserve** HK$'000	**Revenue reserve** HK$'000	**Other reserve** HK$'000	**Total reserves** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
Group													
Balance at January 1, 2009*		2,012,340	4,838,365	13,881	4,095	6,894	—	(4,823,737)	(1,996)	37,502	2,049,842	4,674	2,054,516
Loss for the year		—	—	—	—	—	—	(40,902)	—	(40,902)	(40,902)	871	(40,031)
Other comprehensive income for the year		—	—	—	63	—	—	—	(936)	(873)	(873)	16	(857)
Total comprehensive income for the year		—	—	—	63	—	—	(40,902)	(936)	(41,775)	(41,775)	887	(40,888)
Share repurchased and cancelled	*29(b)(i)*	(828)	—	—	—	828	—	(474)	—	354	(474)	—	(474)
Share repurchase expenses	*29(b)(i)*	—	—	—	—	—	—	(6)	—	(6)	(6)	—	(6)
Dividend payment to non-controlling interests		—	—	—	—	—	—	—	—	—	—	(2,863)	(2,863)
Transfer to special capital reserve	*29(c)(ii)*	—	—	63	—	—	—	(63)	—	—	—	—	—
Balance at December 31, 2009*		2,011,512	4,838,365	13,944	4,158	7,722	—	(4,865,182)	(2,932)	(3,925)	2,007,587	2,698	2,010,285
Balance at January 1, 2010*		2,011,512	4,838,365	13,944	4,158	7,722	—	(4,865,182)	(2,932)	(3,925)	2,007,587	2,698	2,010,285
Loss for the year		—	—	—	—	—	—	(267,366)	—	(267,366)	(267,366)	478	(266,888)
Other comprehensive income for the year		—	—	—	497	—	—	—	2,932	3,429	3,429	63	3,492
Total comprehensive income for the year		—	—	—	497	—	—	(267,366)	2,932	(263,937)	(263,937)	541	(263,396)
Transfer to special capital reserve	*29(c)(ii)*	—	—	—	—	—	—	—	—	—	—	—	—
Balance at December 31, 2010*		**2,011,512**	**4,838,365**	**13,944**	**4,655**	**7,722**	**–**	**(5,132,548)**	**–**	**(267,862)**	**1,743,650**	**3,239**	**1,746,889**

* *Included in the Group's revenue reserve is positive goodwill written off against reserves in prior years amounting to HK$197,785,000.*

The notes on pages 36 to 83 form part of these financial statements.

Statement of Changes in Equity

For the year ended December 31, 2010

			Reserves					
	Note	**Share capital** HK$'000	**Share premium** HK$'000	**Capital redemption reserve** HK$'000	**Revenue reserve** HK$'000	**Other reserve** HK$'000	**Total reserves** HK$'000	**Total Equity** HK$'000
Company								
Balance at January 1, 2009		2,012,340	4,838,365	6,894	846,657	—	5,691,916	7,704,256
Loss for the year and total comprehensive income for the year		—	—	—	(215,179)	—	(215,179)	(215,179)
Share repurchased and cancelled	*29(b)(i)*	(828)	—	828	(474)	—	354	(474)
Share repurchase expenses	*29(b)(i)*	—	—	—	(6)	—	(6)	(6)
Balance at December 31, 2009		2,011,512	4,838,365	7,722	630,998	—	5,477,085	7,488,597
Balance at January 1, 2010		2,011,512	4,838,365	7,722	630,998	—	5,477,085	7,488,597
Profit for the year and total comprehensive income for the year		—	—	—	1,218	—	1,218	1,218
Balance at December 31, 2010		**2,011,512**	**4,838,365**	**7,722**	**632,216**	**—**	**5,478,303**	**7,489,815**

The notes on pages 36 to 83 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended December 31, 2010

	Note	2010 HK$'000	2009 HK$'000
Operating activities			
Loss before taxation		**(290,302)**	(47,183)
Adjustments for:			
Finance costs, net		**(319)**	1
Interest income		**(309)**	(217)
Depreciation		**253,778**	257,954
Amortisation of programming library		**88,724**	101,828
Impairment losses on investment		**1,649**	1,693
Impairment losses on programming library		**4,465**	4,401
Impairment losses on property, plant and equipment		**1,221**	620
Net (gain)/loss on disposal of property, plant and equipment		**(670)**	1,400
Share of loss of associate		**41,078**	30
Operating profit before changes in working capital		**99,315**	320,527
Decrease in inventories		**758**	1,898
(Increase)/decrease in accounts receivable from trade debtors		**(11,641)**	18,613
Decrease/(increase) in deposits, prepayments and other receivables		**209,640**	(64,916)
Increase in amounts due from fellow subsidiaries		**(1,448)**	(883)
(Decrease)/increase in amounts due to trade creditors		**(22,469)**	16,242
Decrease in accrued expenses and other payables		**(30,456)**	(37,209)
Increase in receipts in advance and customers' deposits		**19,343**	5,335
Decrease in amounts due to fellow subsidiaries		**(19,876)**	(50,999)
Net change in amount due to immediate holding company		**(56)**	(3,025)
Cash generated from operations		**243,110**	205,583
Interest received		**281**	221
Interest paid		**—**	(1)
Overseas tax paid		**(845)**	(3,915)
Net cash generated from operating activities		**242,546**	201,888
Investing activities			
Purchase of property, plant and equipment		**(240,432)**	(261,599)
Additions to programming library		**(89,157)**	(98,133)
Proceeds from disposal of property, plant and equipment		**2,692**	2,364
Net cash used in investing activities		**(326,897)**	(357,368)
Financing activities			
Payment for repurchase of shares		**—**	(480)
Dividends paid to equity shareholders of the Company		**(2)**	(4)
Dividends paid to non-controlling interests of a subsidiary		**—**	(2,863)
Net cash used in financing activities		**(2)**	(3,347)
Net decrease in cash and cash equivalents		**(84,353)**	(158,827)
Effect of foreign exchange rates changes		**183**	43
Cash and cash equivalents at January 1		**530,852**	689,636
Cash and cash equivalents at December 31	*22*	**446,682**	530,852

The notes on pages 36 to 83 form part of these financial statements.

Notes to the Financial Statements

1. Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended December 31, 2010, comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that financial instruments classified as available-for-sale (see Note 1(s)) and derivative financial instruments (see Note 1(y)) are stated at their fair value.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 37.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

1. Significant accounting policies *(continued)*

(c) Subsidiaries and non-controlling interests *(continued)*

Non-controlling interests (previously known as "minority interests") represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in accordance with Note 1(u) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 1(s)) or, when appropriate, the cost on initial recognition of an investment in an associate (see Note 1(d)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 1(t)).

(d) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Notes 1(f) and (t)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

1. Significant accounting policies *(continued)*

(d) Associates *(continued)*

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 1(s)).

In the Company's statement of financial position, its investments in associates are stated at cost less impairment losses (see Note 1(t)).

(e) Jointly controlled assets

Jointly controlled assets are assets of a joint venture over which the Group has joint control with other venturers in accordance with contractual arrangements and through the joint control of which the Group has control over its share of future economic benefits earned from the assets.

The Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the statement of financial position and classified according to their nature. Liabilities and expenses incurred directly in respect of its interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of the jointly controlled assets, together with its share of any expenses incurred are recognised in profit or loss when it is probable that the economic benefits associated with the transactions will flow to or from the Group.

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 1(t)).

On disposal of a cash-generating unit, during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses (see Note 1(t)). The cost of self-constructed items of property, plant and equipment includes materials, labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of overheads and borrowing costs (see Note 1(o)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

1. Significant accounting policies *(continued)*

(g) Property, plant and equipment and depreciation *(continued)*

Depreciation is calculated on a straight-line basis to write off the cost less their estimated residual value, if any, of the equipment required to support a fully operating network and cable television system at rates determined by the estimated useful lives of the assets ranging from 5 to 20 years, adjusted by the appropriate pre-maturity fraction during the pre-maturity period, which began with the first earned subscriber revenue on October 31, 1993 and was to continue until the earlier of the attainment of a predetermined subscriber level and December 31, 1996. The pre-maturity period ended on November 30, 1996, when the predetermined subscriber level was attained. Depreciation is calculated on a straight-line basis to write off the costs, less the estimated residual value, if any, of other assets at rates determined by the estimated useful lives ranging from 2 to 40 years.

The principal annual depreciation rates used are as follows:

Network, decoders, cable modems and television production systems	5% to 50%
Furniture, fixtures, other equipment and motor vehicles	10% to 33.33%
Buildings situated on leasehold land*	Higher of 2.5% or percentage to amortise the asset cost over the unexpired term of land leases
Leasehold improvements	8.33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Under certain circumstances, the Group may have an obligation to dismantle part of its network upon request by concerned parties. Owing to the absence of such history, no reliable estimate can be reasonably made in respect of such potential obligation.

* This represents units in industrial and commercial buildings which the Directors consider impracticable to split the cost into land and buildings.

(h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in Note 1(g). Impairment losses are accounted for in accordance with the accounting policy as set out in Note 1(t). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

1. Significant accounting policies *(continued)*

(h) Leased assets *(continued)*

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

(i) Programming costs

(i) Programming library

Programming library consists of presentation rights for commissioned programmes and acquired programmes for showing on the Group's television channels, and commissioned programmes and films for licensing purposes.

Presentation rights are stated in the statement of financial position at cost less accumulated amortisation (where the estimated useful life is other than indefinite) and impairment losses (see Note 1(t)). Amortisation is charged to profit or loss on an accelerated basis over the licence period or over the estimated number of future showings. Subsequent expenditure on programmes after initial acquisition is recognised as an expense when incurred.

Commissioned programmes and films for licensing purposes comprise direct production costs and production overheads, and are stated at the lower of amortised cost or net realisable value. Costs are amortised on an individual programme/film basis in the ratio of the current year's gross revenues to management's forecast of the total ultimate gross revenues from all sources.

(ii) Live programmes

Live programmes consist of third party feed programmes and are charged to profit or loss upon telecast of the programmes. Payments made in advance or in arrears of programme cost recognition are recorded as prepayments or accruals, as appropriate.

(iii) In-house developed programmes

In-house developed programmes consist primarily of news, documentary and general entertainment programmes with short lead-time from production to telecast. The costs of in-house developed programmes are accordingly recognised as expenses in the period in which they are incurred.

(iv) Film rights and perpetual film rights

Film rights generated by the Group or perpetual film rights acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is other than indefinite) and impairment losses (see Note 1(t)). Costs represent the carrying value transferred from films in progress upon completion or the purchase price of the perpetual film rights, and are amortised at rates calculated to write off the costs in proportion to the estimated revenues from exhibition, the reproduction and distribution of audio visual products, the licensing of video rights and other broadcast rights following their release. Such rates are subject to annual review by the Directors.

(v) Films in progress

Films in progress are stated at cost less impairment losses (see Note 1(t)). Costs include all direct costs associated with the production of films. Impairment losses are made for costs which are in excess of the expected future revenue generated by these films. Costs of films are transferred to film rights upon completion.

(j) Other intangible assets (other than goodwill)

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each end of the reporting period.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

(i) Club debentures

The Group's club debentures are stated in the statement of financial position at cost less impairment losses (see Note 1(t)), on an individual basis.

1. Significant accounting policies *(continued)*

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on the weighted average basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is determined by the Group based on the expected replacement cost of the inventories net of provision for obsolescence.

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see Note 1(t)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(n) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised in profit or loss provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably as follows:

(i) Income from the provision of subscription Television services, Internet access services, and Internet Protocol Point wholesale services is recognised at the time when the services are provided.

(ii) Installation fees are recognised upon completion of the related installation work to the extent of direct selling costs.

(iii) Where packaged service fees comprise a number of elements and the fees can be allocated on a reasonable basis into elements of subscription service and installation service, revenue is recognised in accordance with the accounting policies set out in Notes 1(n)(i) and (ii). Where packaged service fees cannot be allocated into individual elements, the fees are deferred and recognised evenly over the term of the service period.

(iv) Advertising income net of agency deductions is recognised on telecast of the advertisement. When an advertising contract covers a specified period, the related income is recognised evenly over the contract period.

(v) Revenue from theatrical distribution is recognised when the films are exhibited.

(vi) Revenue from distribution of films is recognised upon delivery of the master tapes to the customers.

(vii) Income from licensing of TV rights is recognised in full upon delivery of the programmes concerned in accordance with the terms of the licence contracts, and is stated net of withholding tax.

(viii) Magazine advertising income is recognised upon the publication of the edition in which the advertisement is placed.

(ix) Sales of magazines are recognised when the magazines are delivered and the title has passed.

(x) Income from network maintenance and operation is recognised at the time when services are provided.

(xi) Rental income receivable under operating leases is recognised in profit or loss in equal installments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as integral part of the aggregate net lease payments receivables. Contingent rentals are recognised as income in the accounting period in which they are earned.

(xii) Dividend income from investments in equity securities is recognised when the shareholder's right to receive payment is established.

(xiii) Interest income is recognised as it accrues using the effective interest method.

Notes to the Financial Statements (continued)

1. Significant accounting policies *(continued)*

(o) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are interrupted or complete.

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each end of the reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

1. Significant accounting policies *(continued)*

(p) Income tax *(continued)*

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) Foreign currency translation

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after January 1, 2005, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of a foreign operation acquired before January 1, 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

1. Significant accounting policies *(continued)*

(r) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(s) Investments in equity securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the statement of financial position at cost less impairment losses (see Note 1(t)).

Other investments in securities are classified as available-for-sale securities and are initially recognised at fair value plus transaction costs. At each end of the reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve, except foreign exchange gains and losses which are recognised directly in profit or loss. Dividend income from these investments is recognised in accordance with the policy set out in Note 1(n)(xii) and where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss in accordance with the policy set out in Note 1(n)(xiii). When these investments are derecognised or impaired (see Note 1(t)), the cumulative gain or loss is reclassified from equity to profit or loss.

Investments are recognised/derecognised on the date the Group and/or the Company commits to purchase/sell the investments or they expire.

1. Significant accounting policies *(continued)*

(t) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost are reviewed at each end of the reporting period to determine whether there is objective evidence of impairment.

Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
  - a breach of contract, such as a default or delinquency in interest or principal payments;
  - it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in subsidiaries and associates (including those recognised using the equity method (see Note 1(d))), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note 1(t)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with Note 1(t)(ii).
- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.
- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

1. Significant accounting policies *(continued)*

(t) Impairment of assets *(continued)*

(i) Impairment of investments in equity securities and other receivables *(continued)*

— For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each end of the reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, any impairment loss previously recognised no longer exists or may have decreased:

— property, plant an equipment;

— programming library (including film rights, perpetual film rights and films in progress);

— other intangible assets; and

— goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

1. Significant accounting policies *(continued)*

(t) Impairment of assets *(continued)*

(ii) Impairment of other assets

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting,* in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 1(t)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity securities increase in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit of loss.

(u) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with Note 1(w)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(w) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

1. Significant accounting policies *(continued)*

(w) Financial guarantees issued, provisions and contingent liabilities *(continued)*

(i) Financial guarantees issued *(continued)*

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with Note 1(w)(iii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with Note 1(w)(iii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with Note 1(w)(iii).

(iii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(x) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group, except to the extent that they are included in the cost of property, plant and equipment and programming library not yet recognised as an expense.

(ii) Share-based payments

The fair value of share options granted after November 7, 2002 to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using an option-pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to the revenue reserve).

1. Significant accounting policies *(continued)*

(x) Employee benefits *(continued)*

(ii) Share-based payments *(continued)*

To the extent that any modifications to the terms and conditions on which the existing share options were granted, including cancellations and settlements, the effects of any such modifications that increase the total fair value of the share-based payment arrangements or are otherwise beneficial to the employees, will be recognised in accordance with the provisions of HKFRS 2, *Share-based payment*.

(y) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each end of the reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately to profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see Note 1(z)).

(z) Hedging

(i) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gain or loss on remeasurement of the derivative financial instrument to fair value are recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is reclassified from equity to be included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (such as when interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to profit or loss.

(ii) Hedge of net investments in foreign operations

The portion of the gain or loss on remeasurement to fair value of an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised in other comprehensive income and accumulated separately in equity in the exchange reserve until the disposal of the foreign operation, at which time the cumulative gain or loss is reclassified from equity to profit or loss. The ineffective portion is recognised immediately in profit or loss.

2. Changes in accounting policies

The HKICPA has issued two revised HKFRSs, a number of amendments to HKFRSs and two new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

— HKFRS 3 (revised 2008), *Business combinations*

— Amendments to HKAS 27, *Consolidated and separate financial statements*

— Amendments to HKAS 39, *Financial instruments: Recognition and measurement — eligible hedged items*

— HK(IFRIC) 17, *Distributions of non-cash assets to owners*

— Improvements to HKFRSs (2009)

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The amendment to HKAS 39 has had no material impact on the Group's financial statements as the amendments were consistent with policies already adopted by the Group. The other developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, for the following reasons:

The impact of the majority of the revisions to HKFRS 3, HKAS 27 and HK(IFRIC) 17 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination or a non-cash distribution) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

The impact of the amendments to HKFRS 3 (in respect of recognition of acquiree's deferred tax assets) and HKAS 27 (in respect of allocation of losses to non-controlling interests (previously known as "minority interests") in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets arose in the current period. Any losses incurred by a non-wholly owned subsidiary will be allocated between controlling and non-controlling interests in proportion to their interests in that equity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests in the current period.

The amendment introduced by the Improvements to HKFRSs (2009) omnibus standard in respect of HKAS 17, *Leases*, had no material impact on the Group's financial statements as the amendment's conclusion was consistent with policies already adopted by the Group.

Further details of these changes in accounting policy are as follows:

As a result of the adoption of HKFRS 3 (revised 2008), any business combination acquired on or after January 1, 2010 will be recognised in accordance with the new requirements and detailed guidance contained in HKFRS 3 (revised 2008). These include the following changes in accounting policies:

— Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.

— If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

— Contingent consideration will be measured at fair value at the acquisition date. Subsequent changes in the measurement of that contingent consideration unrelated to facts and circumstances that existed at the acquisition date will be recognised in profit or loss, whereas previously these changes were recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.

2. Changes in accounting policies *(continued)*

— If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.

— In addition to the Group's existing policy of measuring the non-controlling interests (previously known as "minority interests") in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.

In accordance with the transitional provisions in HKFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

As a result of the adoption of HKAS 27 (amended 2008), the following changes in policies will be applied as from January 1, 2010:

— If the Group acquires an additional interest in a non-wholly owned subsidiary, the transaction will be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. Similarly, if the Group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions. Previously the Group treated such transactions as step-up transactions and partial disposals, respectively.

— If the Group loses control of a subsidiary, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value as if reacquired.

In accordance with the transitional provisions in HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

In order to be consistent with the above amendments to HKFRS 3 and HKAS 27, and as a result of amendments to HKAS 28, *Investments in associates*, the following policies will be applied as from January 1, 2010:

— If the Group holds interests in the acquiree immediately prior to obtaining significant influence, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining significant influence. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

— If the Group loses significant influence, the transaction will be accounted for as a disposal of the entire interest in that investee, with any remaining interest being recognised at fair value as if reacquired. Previously such transactions were treated as partial disposals.

Consistent with the transitional provisions in HKFRS 3 and HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

Other changes in accounting policies which are relevant to the Group's financial statements are as follows:

— As a result of the amendments to HKAS 27, as from January 1, 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in HKAS 27, this new accounting policy is being applied prospectively and therefore previous periods have not been restated.

3. Turnover

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 17 to the financial statements.

Turnover comprises principally subscription, service and related fees for Television and Internet services, Internet Protocol Point wholesale services and includes advertising income net of agency deductions, channel service and distribution fees, programme licensing income, film exhibition and distribution income, network maintenance income, and other related income.

The Group's customer base is diversified and no single customer with whom transactions have exceeded 10% of the Group's revenues. The Group has no significant concentrations of credit risk from customers.

4. Segment information

The Group managed its businesses according to the nature of services provided. Management has determined two reportable operating segments for measuring performance and allocating resources. The segments are Television and Internet and multimedia.

The Television segment includes operations related to the Television subscription business, advertising, channel carriage, TV relay service, programme licensing, network maintenance, and miscellaneous Television related businesses.

The Internet and multimedia segment includes operations related to Broadband and dial-up Internet access services, portal subscription, mobile content licensing, Voice Over Internet Protocol interconnection as well as other Internet access related businesses.

Management evaluates performance primarily based on earnings before interest and taxation ("EBIT"). Inter-segment pricing is generally determined at arm's length basis.

Segment assets principally comprise all tangible assets, intangible assets and current assets with the exception of interest in associate, investments in equity securities and deferred tax assets. Segment liabilities include all liabilities and borrowings directly attributable to and managed by each segment with the exception of current taxation and deferred tax liabilities.

In addition to receiving segment information concerning EBIT, management is provided with segment information concerning revenue (including inter-segment revenue).

4. Segment information *(continued)*

Information regarding the Group's reportable segments as provided to the Group's senior management for the purposes of resource allocation and assessment of segment performance for the years ended December 31, 2010 and 2009 is set out below:

Business segments

	Television		**Internet and multimedia**		**Unallocated**		**Total**	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**1,550,230**	1,205,728	**415,686**	509,033	**36,139**	39,613	**2,002,055**	1,754,374
Inter-segment revenue	**10,904**	21,976	**16,933**	13,013	**2,266**	4,838	**30,103**	39,827
Reportable segment revenue	**1,561,134**	1,227,704	**432,619**	522,046	**38,405**	44,451	**2,032,158**	1,794,201
Reportable segment results ("EBIT")	**(221,840)**	(45,159)	**96,375**	162,813	**(122,703)**	(158,698)	**(248,168)**	(41,044)
Inter-segment elimination							**(705)**	(3,232)
Loss from operations							**(248,873)**	(44,276)
Interest income							**309**	217
Finance costs, net							**319**	(1)
Impairment losses on investment							**(1,649)**	(1,693)
Non-operating income/(expenses)							**670**	(1,400)
Share of loss of associate							**(41,078)**	(30)
Income tax							**23,414**	7,152
Loss for the year							**(266,888)**	(40,031)

4. Segment information *(continued)*

	Segment assets	
	2010	2009
	HK$'000	HK$'000
Television	**1,051,955**	1,202,345
Internet and multimedia	**420,502**	461,813
Unallocated assets	**504,004**	599,455
	1,976,461	2,263,613
Interest in associate	**—**	38,145
Deferred tax assets	**343,145**	330,305
Investments in equity securities	**1,083**	2,732
	2,320,689	2,634,795

	Segment liabilities	
	2010	2009
	HK$'000	HK$'000
Television	**341,842**	343,989
Internet and multimedia	**87,237**	98,891
Unallocated liabilities	**79,854**	105,380
	508,933	548,260
Current taxation	**1,791**	2,132
Deferred tax liabilities	**63,076**	74,118
	573,800	624,510

Geographical segments

No geographical segment information is shown as, during the periods presented, less than 10% of the Group's segment revenue, segment result and segment assets are derived from activities conducted outside Hong Kong.

5. Loss before taxation

Loss before taxation is stated after charging/(crediting):

	2010 HK$'000	2009 HK$'000
Interest income		
Interest income from deposits with banks and other financial institutions	**(228)**	(88)
Other interest income	**(81)**	(129)
	(309)	(217)
Finance costs, net		
Net gain on forward exchange contract	**(319)**	—
Interest expenses on overdrafts	**—**	1
	(319)	1
Other items		
Depreciation		
— assets held for use under operating leases	**20,261**	16,159
— other assets	**233,517**	241,795
Amortisation of programming library*	**88,724**	101,828
Impairment losses		
— trade and other receivables	**5,924**	3,665
— property, plant and equipment	**1,221**	620
— programming library	**4,465**	4,401
— investments in equity securities	**1,649**	1,693
Reversal of impairment losses on trade and other receivables	**(1,429)**	(5,543)
Cost of inventories	**12,923**	15,435
Rentals payable under operating leases in respect of land and buildings	**59,875**	62,638
Contributions to defined contribution retirement plans	**32,636**	31,183
Auditor's remuneration — audit service		
— charge for the year	**2,488**	2,554
— under/(over)-provision in respect of prior years	**52**	(1,742)
Net foreign exchange gain**	**(1,981)**	(2,376)
Rentals receivable under operating leases in respect of		
— subleased land and buildings	**(6,755)**	(6,706)
— owned plant and machinery	**(20,571)**	(24,040)
Net (gain)/loss on disposal of property, plant and equipment	**(670)**	1,400

* *Amortisation of programming library is included within programming costs in the consolidated results of the Group.*

** *Net foreign exchange (loss)/gain of approximately HK$(34,000) and HK$2,015,000 are included within programming costs and selling, general and administrative and other operating expenses in the consolidated results of the Group, respectively.*

5. Loss before taxation *(continued)*

Operating expenses are analysed by nature in compliance with HKAS 1, *Presentation of Financial Statements* as follows:

	2010 **HK$'000**	2009 HK$'000
Depreciation and amortisation	**342,502**	359,782
Staff costs	**711,796**	672,476
Other operating expenses	**1,196,630**	766,392
Total operating costs	**2,250,928**	1,798,650

6. Income tax in the consolidated income statement

(a) Income tax in the consolidated income statement represents:

	2010 **HK$'000**	2009 HK$'000
Current tax — Overseas		
Tax for the year	**468**	821
Deferred tax		
Utilisation of prior years' tax losses recognised	**3,169**	5,658
Benefit of previously unrecognised tax losses now recognised	**(22,573)**	—
Reversal of temporary differences	**(4,478)**	(13,631)
	(23,882)	(7,973)
Income tax	**(23,414)**	(7,152)

The provision for Hong Kong Profits Tax is calculated at 16.5% (2009: 16.5%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate rates of taxation ruling in the relevant countries.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2010 **%**	2009 %
Statutory income tax rate	**(16.5)**	(16.5)
Tax effect of non-deductible expenses	**9.6**	1.8
Tax effect of non-taxable revenue	**(0.2)**	(2.4)
Differential tax rate on subsidiaries' income	**—**	(0.3)
Tax effect of unused tax losses not recognised	**6.8**	1.5
Tax effect of previously tax losses now recognised	**(7.8)**	—
PRC withholding tax	**—**	0.7
Effective income tax rate	**(8.1)**	(15.2)

7. Directors' emoluments

Details of Directors' emoluments are as follows:

Name of directors	Directors' fees HK$'000	Basic salaries, housing and other allowances, and benefits in kind HK$'000	Retirement scheme contributions HK$'000	Discretionary bonuses and/or performance related bonuses HK$'000	Total emoluments HK$'000
2010					
Independent non-executive directors:					
T K Ho	**80**	**—**	**—**	**—**	**80**
Roger K H Luk	**18**	**—**	**—**	**—**	**18**
Anthony K K Yeung	**80**	**—**	**—**	**—**	**80**
Patrick Y W Wu	**80**	**—**	**—**	**—**	**80**
Non-executive director:					
Paul Y C Tsui	**60**	**—**	**—**	**—**	**60**
Executive directors:					
Stephen T H Ng	**60**	**1,859**	**111**	**3,600**	**5,630**
William J H Kwan	**60**	**1,678**	**168**	**780**	**2,686**
Total for 2010	**438**	**3,537**	**279**	**4,380**	**8,634**
2009					
Independent non-executive directors:					
T K Ho	64	—	—	—	64
Dennis T L Sun	34	—	—	—	34
Anthony K K Yeung	80	—	—	—	80
Patrick Y W Wu	80	—	—	—	80
Non-executive directors:					
Paul Y C Tsui	35	—	—	—	35
Peter S O Mak	25	—	—	—	25
Executive directors:					
Stephen T H Ng	60	1,784	106	2,700	4,650
William J H Kwan	60	1,499	137	774	2,470
Total for 2009	438	3,283	243	3,474	7,438

There were no compensation for loss of office and/or inducement for joining the Group paid/payable to the Company's Directors in respect of the years ended December 31, 2010 and December 31, 2009.

Except Directors' fees of HK$438,000 (2009: HK$438,000), certain Directors' emoluments disclosed above were paid directly by the Company's intermediate holding company, The Wharf (Holdings) Limited ("Wharf"), (or its wholly owned subsidiaries) to the relevant Directors. Wharf recovered such costs from the Group by charging a management fee (see Note 36(iv)).

In addition to the above emoluments, certain Directors were granted share options under the Company's share option scheme and Wharf's share option scheme in prior years. All share options granted under the Company's share option scheme lapsed on December 31, 2009. The share options granted by Wharf to the Directors were not related to their services rendered to the Group.

8. Individuals with highest emoluments

Of the five individuals with the highest emoluments, two (2009: one) are Directors whose emoluments are disclosed in Note 7. The aggregate of the emoluments in respect of the other three (2009: four) individuals are as follows:

	2010 HK$'000	2009 HK$'000
Basic salaries, housing and other allowances, and benefits in kind	**5,453**	7,614
Retirement scheme contributions	**414**	515
Discretionary bonuses and/or performance related bonuses	**2,450**	2,556
Compensation for loss of office	**—**	224
Inducement for joining the Group	**—**	—
	8,317	10,909

The emoluments of the three (2009: four) individuals with the highest emoluments are within the following bands:

HK$	**2010 Number of individuals**	2009 Number of individuals
2,500,001–3,000,000	**3**	3
3,000,001–3,500,000	**—**	1
	3	4

9. Profit/(loss) attributable to equity shareholders of the Company

The consolidated profit/(loss) attributable to equity shareholders of the Company includes HK$1,218,000 (2009: loss of HK$215,179,000) which has been dealt with in the financial statements of the Company.

	2010 HK$'000	2009 HK$'000
Amount of consolidated profit/(loss) attributable to equity shareholders dealt with in the Company's financial statements	**1,218**	(215,179)
Company's profit/(loss) for the year	**1,218**	(215,179)

10. Other comprehensive income

Reclassification adjustment relating to components of other comprehensive income

	2010 HK$'000	2009 HK$'000
Available-for-sale securities:		
Changes in fair value recognised during the year	**(1,649)**	(674)
Reclassification adjustment for amounts transferred to profit or loss:		
— impairment losses	**1,649**	674
Net movement in the fair value reserve during the year recognised in other comprehensive income	**—**	—
Share of post-acquisition reserve of associate:		
Share of reserve movement of associate	**—**	(936)
Reclassification adjustment for amounts transferred to profit or loss:		
— share of loss of associate	**2,932**	—
Net movement in the share of post-acquisition reserve of associate during the year recognised in other comprehensive income	**2,932**	(936)

11. Loss per share

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$267,366,000 (2009: HK$40,902,000) and the weighted average number of ordinary shares outstanding during the year of 2,011,512,400 (2009: 2,011,682,932).

(i) Weighted average number of ordinary shares

	2010	2009
Issued ordinary shares at January 1	**2,011,512,400**	2,012,340,400
Effect of shares repurchased	**—**	(657,468)
Weighted average number of ordinary shares at December 31	**2,011,512,400**	2,011,682,932

(b) Diluted loss per share

The calculation of diluted loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$267,366,000 (2009: HK$40,902,000) and the weighted average number of ordinary shares of 2,011,512,400 (2009: 2,011,682,932) after adjusting for the effects of all dilutive potential ordinary shares.

All of the Company's share options had expired on December 31, 2009 and did not have intrinsic value throughout 2009. Accordingly, this has no dilutive effect on the calculation of diluted loss per share in 2009.

12. Property, plant and equipment

	Group						
	Network, decoders, cable modems and television production systems	Furniture, fixtures, other equipment and motor vehicles	Leasehold land and buildings in Hong Kong and PRC: Long leases	Leasehold land and buildings in Hong Kong and PRC: Medium leases	Leasehold land and buildings in Hong Kong and PRC: Short leases	Leasehold improvements	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost							
At January 1, 2009	5,324,139	656,535	11,425	44,659	70	313,711	6,350,539
Additions	233,371	16,414	—	—	—	10,990	260,775
Disposals	(179,019)	(11,740)	—	—	—	(3,049)	(193,808)
Reclassification to inventories	(2,743)	—	—	—	—	—	(2,743)
Exchange reserve	—	62	—	81	—	25	168
At December 31, 2009	5,375,748	661,271	11,425	44,740	70	321,677	6,414,931
At January 1, 2010	5,375,748	661,271	11,425	44,740	70	321,677	6,414,931
Additions	226,375	17,612	—	—	—	6,592	250,579
Disposals	(146,399)	(5,464)	—	—	—	(1,995)	(153,858)
Reclassification to inventories	(1,242)	—	—	—	—	—	(1,242)
Exchange reserve	2	370	—	497	—	142	1,011
At December 31, 2010	**5,454,484**	**673,789**	**11,425**	**45,237**	**70**	**326,416**	**6,511,421**
Accumulated depreciation							
At January 1, 2009	4,366,261	565,527	2,100	3,134	70	256,276	5,193,368
Charge for the year	211,096	34,512	280	1,485	—	10,581	257,954
Impairment loss	620	—	—	—	—	—	620
Written back on disposals	(176,768)	(11,451)	—	—	—	(1,825)	(190,044)
Reclassification to inventories	(275)	—	—	—	—	—	(275)
Exchange reserve	—	41	—	6	—	4	51
At December 31, 2009	4,400,934	588,629	2,380	4,625	70	265,036	5,261,674
At January 1, 2010	4,400,934	588,629	2,380	4,625	70	265,036	5,261,674
Charge for the year	210,979	29,616	280	1,493	—	11,410	253,778
Impairment loss	1,221	—	—	—	—	—	1,221
Written back on disposals	(144,673)	(5,402)	—	—	—	(1,761)	(151,836)
Reclassification to inventories	(258)	—	—	—	—	—	(258)
Exchange reserve	2	319	—	63	—	36	420
At December 31, 2010	**4,468,205**	**613,162**	**2,660**	**6,181**	**70**	**274,721**	**5,364,999**
Net book value							
At December 31, 2010	**986,279**	**60,627**	**8,765**	**39,056**	**—**	**51,695**	**1,146,422**
At December 31, 2009	974,814	72,642	9,045	40,115	—	56,641	1,153,257

12. Property, plant and equipment *(continued)*

Impairment loss results from loss recognised on abandonment of lost or damaged property, plant and equipment. In 2010, of the total impairment loss of HK$1,221,000 (2009: HK$620,000) was made for decoders and cable modems which had become obsolete during normal usage or were leased to subscribers in the ordinary course of the Television subscription and Broadband Internet access business, and had not been returned after the services were terminated.

As at December 31, 2010, the gross carrying amounts of property, plant and equipment of the Group held for use in operating leases were HK$212,920,000 (2009: HK$195,849,000) and the related accumulated depreciation was HK$85,409,000 (2009: HK$87,310,000).

13. Programming library

	Group		
	Internally developed HK$'000	**Acquired** HK$'000	**Total** HK$'000
Cost			
At January 1, 2009	71,209	488,133	559,342
Additions	761	86,473	87,234
Written off	—	(87,319)	(87,319)
At December 31, 2009	71,970	487,287	559,257
At January 1, 2010	71,970	487,287	559,257
Additions	—	92,982	92,982
Written off	(1,993)	(99,125)	(101,118)
At December 31, 2010	**69,977**	**481,144**	**551,121**
Accumulated amortisation			
At January 1, 2009	60,447	366,106	426,553
Charge for the year	6,212	95,616	101,828
Impairment loss	608	3,793	4,401
Written off	—	(87,319)	(87,319)
At December 31, 2009	67,267	378,196	445,463
At January 1, 2010	67,267	378,196	445,463
Charge for the year	2,760	85,964	88,724
Impairment loss	1,445	3,020	4,465
Written off	(1,993)	(99,125)	(101,118)
At December 31, 2010	**69,479**	**368,055**	**437,534**
Net book value			
At December 31, 2010	**498**	**113,089**	**113,587**
At December 31, 2009	4,703	109,091	113,794

The management of the Group undertook a review of its programming library to assess the recoverability of film rights. As a result of the assessment, an impairment loss of HK$4,465,000 (2009: HK$4,401,000) was made.

14. Other intangible assets

	Group		
	Club debentures	Advertising rights	Total
	HK$'000	HK$'000	HK$'000
Cost			
At January 1, 2009	4,006	11,692	15,698
Written off	—	(11,692)	(11,692)
At December 31, 2009, January 1, 2010 and December 31, 2010	**4,006**	**—**	**4,006**
Accumulated amortisation			
At January 1, 2009	—	11,692	11,692
Written off	—	(11,692)	(11,692)
At December 31, 2009, January 1, 2010 and December 31, 2010	**—**	**—**	**—**
Net book value			
At December 31, 2010	**4,006**	**—**	**4,006**
At December 31, 2009	4,006	—	4,006

15. Interest in associate

	Group	
	2010	2009
	HK$'000	HK$'000
Share of net assets	—	38,145

Details of the Group's interest in associate are as follows:

Name of associate	Form of business structure	Place of incorporation/ operation	Principal activities	Particulars of issued and paid up capital	Proportion of ownership interest
TWC Asian Film Investco LLC ("TWC")	Incorporated	State of Delaware, USA	Investment holding	Capital contribution US$25,000,000	30%

15. Interest in associate *(continued)*

Summary financial information on associate

	Assets HK$'000	Liabilities HK$'000	Equity HK$'000	Revenue HK$'000	Loss HK$'000
2010					
100 percent	**216,621**	**(261,724)**	**(45,103)**	**28,368**	**(174,213)**
Group's effective interest	**64,986**	**(78,517)**	**(13,531)**	**8,510**	**(52,264)**
2009					
100 percent	378,710	(251,559)	127,151	221,000	(99)
Group's effective interest	113,613	(75,468)	38,145	66,300	(30)

In respect of the year ended December 31, 2010, TWC was included in the consolidated financial statements based on the most recent available financial statements drawn up to June 30, 2010. The Group has not taken into account the effect of transactions or events that occurred during the period from July 1, 2010 to December 31, 2010 as the associate has reduced significantly its operating activities during the period to the end of the reporting date. Since the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to HK$Nil and no recognition of future losses of HK$11,187,000 as the Group has no legal or constructive obligation in respect of such losses.

16. Other non-current assets

	Group	
	2010 HK$'000	2009 HK$'000
Unlisted equity securities, at cost less impairment losses	**1,083**	1,083
Available-for-sale equity securities	**—**	1,649
Inventories	**5,210**	6,083
Deposits, prepayments and other receivables	**93,258**	61,357
Amounts due from fellow subsidiaries	**11,438**	11,339
	110,989	81,511

As at December 31, 2010, the Group's available-for sale equity securities were individually determined to be impaired on the basis of change in circumstances which indicated that the cost of the Group's investments in them may not be recovered. Impairment losses on these investments were recognised in profit or loss in accordance with the policy set out in Note 1(t)(i).

17. Investments in subsidiaries

	Company 2010 HK$'000	2009 HK$'000
Unlisted shares, at cost	**12**	12

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

Name of company	Place of incorporation/ operation	Principal activities	Particulars of issued capital, all fully paid	Proportion of ownership interest Directly	Indirectly
Apex Victory Limited	British Virgin Islands	Programme licensing	500 ordinary shares of US$1 each	100	—
Cable Network Communications Limited	Hong Kong	Investment holding	100 ordinary shares of HK$1 each	100	—
			2 non-voting deferred shares of HK$1 each	—	—
Hong Kong Cable Enterprises Limited	Hong Kong	Advertising airtime and programme licensing	2 ordinary shares of HK$1 each	—	100
Hong Kong Cable News Express Limited	Hong Kong	Advertising airtime	2 ordinary shares of HK$10 each	—	100
Hong Kong Cable Television Limited	Hong Kong	Television and Internet and multimedia	750,000,000 ordinary shares of HK$1 each	—	100
i-CABLE Entertainment Limited	Hong Kong	Programme production and channel operation	10,000,000 ordinary shares of HK$1 each	—	100
i-CABLE Network Limited	Hong Kong	Network operation	100 ordinary shares of HK$1 each	—	100
			2 non-voting deferred shares of HK$1 each	—	—
i-CABLE News Limited	Hong Kong	Programme production and channel operation	10,000,000 ordinary shares of HK$1 each	—	100
i-CABLE Sports Limited	Hong Kong	Programme production and channel operation	10,000,000 ordinary shares of HK$1 each	—	100
i-CABLE Network Operations Limited	Hong Kong	Network operation	500,000 ordinary shares of HK$1 each	—	100
Rediffusion Satellite Services Limited	Hong Kong	Satellite television systems	1,000 ordinary shares of HK$10 each	—	100

17. Investments in subsidiaries *(continued)*

Name of company	Place of incorporation/ operation	Principal activities	Particulars of issued capital, all fully paid	Proportion of ownership interest Directly	Proportion of ownership interest Indirectly
Sundream Motion Pictures Limited	Hong Kong	Film production	300,000,000 ordinary shares of HK$1 each	—	100
北京滙智天成廣告有限公司*	The People's Republic of China	Inactive	RMB8,000,000	—	70
廣州市寬訊技術服務有限公司 **	The People's Republic of China	Technical services	HK$34,600,000	—	100

* *This entity is registered as a sino-foreign joint venture company under PRC law and is not audited by KPMG.*

** *This entity is registered as a wholly foreign owned enterprise under PRC law and is not audited by KPMG.*

18. Amounts due from subsidiaries

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment, and are arisen in the ordinary course of business.

19. Inventories

	Group	
	2010	2009
	HK$'000	HK$'000
Spare parts and consumables	**5,641**	4,542

20. Trade and other receivables

Trade and other receivables comprise:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accounts receivable from trade debtors	**67,383**	55,742	**—**	—
Deposits, prepayments and other receivables	**78,670**	319,827	**347**	635
	146,053	375,569	**347**	635

20. Trade and other receivables *(continued)*

(a) Included in trade and other receivables are trade debtors (net of allowance for doubtful debts) with the following ageing analysis as of the end of the reporting period.

	Group	
	2010	2009
	HK$'000	HK$'000
0 to 30 days	**17,532**	21,394
31 to 60 days	**17,966**	15,272
61 to 90 days	**14,116**	10,087
Over 90 days	**17,769**	8,989
	67,383	55,742

The Group's credit policy is set out in Note 31(a).

(b) Impairment losses in respect of accounts receivable from trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against accounts receivable from trade debtors directly (see Note 1(t)(i)).

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Balance at beginning of year	**11,049**	29,667
Impairment loss for the year	**5,447**	3,665
Reversal of impairment losses in prior year	**(429)**	(5,543)
Written off	**(4,992)**	(16,752)
Exchange difference	**15**	12
Balance at end of year	**11,090**	11,049

(c) (i) 15% (2009: 20%) of the gross trade receivables relate to the Television and Internet and multimedia access subscription businesses. There is no significant concentration of credit risk with respect to these trade receivables as the customer bases are widely dispersed in different sectors. The Group has given a credit term of 30 days to these customers. Impairment losses in respect of receivables arising from these subscription businesses are recognised once the receivable is more than 90 days overdue.

20. Trade and other receivables *(continued)*

(c) (ii) The ageing analysis of accounts receivable from trade debtors from advertising and distribution businesses that are neither individually nor collectively considered to be impaired are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Not yet due	**1,585**	5,224
Less than 1 month past due	**15,819**	15,867
1 to 3 months past due	**23,617**	16,812
3 to 6 months past due	**7,814**	3,441
Over 6 months past due	**856**	10
	48,106	36,130
	49,691	41,354

Receivables that were not impaired relate to accounts receivables from advertising and programme distribution businesses that the Group had continuing business relationship and have a good track record with the Group. Impairment losses are recognised based on the credit history of the customers, and are made on balances overdue for a period of 90 to 270 days. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

21. Amounts due from fellow subsidiaries

The amounts due from fellow subsidiaries are unsecured, interest free and repayable on demand, and are arisen in the ordinary course of business (see Note 36).

22. Cash and cash equivalents

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits with banks and other financial institutions	**170,182**	385,004	**170,182**	385,004
Cash at bank and in hand	**276,500**	145,848	**185,178**	26,651
	446,682	530,852	**355,360**	411,655

23. Trade and other payables

Trade and other payables comprise:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts due to trade creditors	**85,426**	91,058	**—**	—
Accrued expenses and other payables	**210,215**	243,324	**1,669**	2,005
Receipts in advance and customers' deposits	**174,844**	155,595	**—**	1,000
	470,485	489,977	**1,669**	3,005

An ageing analysis of amounts due to trade creditors is set out as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
0 to 30 days	**9,102**	7,314
31 to 60 days	**13,842**	14,970
61 to 90 days	**15,862**	17,274
Over 90 days	**46,620**	51,500
	85,426	91,058

24. Amounts due to subsidiaries

The amounts due to subsidiaries are unsecured, interest free, and have no fixed terms of repayment, and are arisen in the ordinary course of business (see Note 36).

25. Amounts due to fellow subsidiaries

The amounts due to fellow subsidiaries are unsecured, interest free, and repayable on demand, and are arisen in the ordinary course of business (see Note 36).

26. Amount due from/(to) immediate holding company

The amount due from/(to) immediate holding company is unsecured, interest free, and has no fixed terms of repayment, and is arisen in the ordinary course of business (see Note 36).

27. Other non-current liabilities

	Group	
	2010	2009
	HK$'000	HK$'000
Accrued expenses and other payables	**8,068**	8,068
Receipts in advance and customers' deposits	**330**	233
	8,398	8,301

28. Equity settled share-based transactions

Pursuant to the Company's share option scheme ("the Scheme"), the Board of Directors is authorised to grant options to eligible employees to subscribe for ordinary shares of the Company at prices as determined by the Board of Directors in accordance with the terms of the Scheme. Under the provisions of the Scheme, options could only be granted during a period of 10 years from the date of its adoption, namely, November 2, 1999. Consequently, from November 3, 2009 onwards, no options may be granted under the Scheme.

(a) The number and weighted average exercise prices of share options are as follows:

	2009	
	Number of options	Weighted-average exercise price per share HK$
At January 1	10,940,000	10.49
Lapsed	(10,940,000)	10.49
At December 31	—	10.49
Options vested and exercisable at December 31	—	10.49

(b) All of the Company's share options were expired on December 31, 2009. There was no unexpired and unexercised share option at the end of the reporting period.

29. Capital, reserves and dividends

(a) Dividends

The board of directors of the Company does not recommend the payment of any dividends for the year ended December 31, 2010 (2009: HK$Nil).

(b) Authorised and issued share capital

	2010 No. of shares ('000)	2010 HK$'000	2009 No. of shares ('000)	2009 HK$'000
Authorised				
Ordinary shares of HK$1 each	**8,000,000**	**8,000,000**	8,000,000	8,000,000
Issued and fully paid				
At January 1	**2,011,512**	**2,011,512**	2,012,340	2,012,340
Shares repurchased and cancelled	**—**	**—**	(828)	(828)
At December 31	**2,011,512**	**2,011,512**	2,011,512	2,011,512

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(i) Purchase of own shares

During 2009, the Company repurchased and cancelled its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of shares repurchased	Highest price paid per share HK$	Lowest price paid per share HK$	Aggregate price paid HK$'000
March 2009	828,000	0.58	0.56	480

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to Section 49H of the Hong Kong Companies Ordinance, an amount equivalent to the par value of the shares cancelled of $828,000 was transferred from revenue reserve to the capital redemption reserve. The discount paid and the expenses incurred on the repurchase of the shares of approximately $354,000 and $6,000, respectively, were charged to revenue reserve.

(c) Nature and purpose of reserves

(i) Share premium and capital redemption reserve

The application of the share premium account and the capital redemption reserve account is governed by Section 48B and 49H respectively of the Hong Kong Companies Ordinance.

(ii) Special capital reserve

The special capital reserve is non-distributable and it should be applied for the same purpose as the share premium account. In 2004, the issued share capital of a subsidiary under the Group was reduced ("Capital Reduction") and the credit arising from the Capital Reduction was applied to eliminate the accumulated losses standing in the income statement of that subsidiary as at September 30, 2004.

29. Capital, reserves and dividends *(continued)*

(c) Nature and purpose of reserves *(continued)*

(ii) Special capital reserve *(continued)*

An undertaking was given to the Court by the subsidiary in connection with the Capital Reduction (the "Undertaking"). Pursuant to the Undertaking, any future recoveries or reversals of provisions in respect of: 1) assets owned or held under finance and operating leases against which charges to depreciation were made as at September 30, 2004; and 2) provisions made by the subsidiary in respect of certain assets held by the subsidiary as at September 30, 2004; collectively the relevant assets ("relevant assets") to the extent that such recoveries exceed the written down amounts of the relevant assets, up to an aggregate amount of HK$1,958,524,266, will be credited to a special capital reserve. While any debt or liability of, or claim against, the subsidiary at the date of the Capital Reduction remains outstanding and the person entitled to the benefit thereof has not agreed otherwise, the special capital reserve shall not be treated as realised profits. The subsidiary shall be at liberty to apply the special capital reserve for the same purposes as a share premium account may be applied.

The amount to be credited to the special capital reserve is subject to a limit ("Limit"), which was HK$1,958,524,266 as at the date of the capital reduction. The Limit may be reduced by the amount of any increase in the issued share capital or in the share premium account of the subsidiary resulting from an issue of shares for cash or other consideration or upon a capitalisation of distributable reserves. The subsidiary shall be at liberty to transfer the amount so reduced to the general reserves of the subsidiary and the same shall become available for distribution. The Limit may also be reduced after the disposal or other realisation of any of the relevant assets by the amount of the charge to depreciation or provision made in relation to such asset as at September 30, 2004 less such amount as is credited to the special capital reserve as a result of such disposal or realisation.

In the event that the amount standing to the credit of the special capital reserve exceeds the Limit, the subsidiary shall be at liberty to transfer the amount of any such excess to the general reserves of the subsidiary, which shall become available for distribution.

As at December 31, 2010, the Limit of the special capital reserve, as reduced by HK$1,972,868 (2009: HK$28,612,728) related to recoveries and reversals of provisions of the relevant assets, was HK$892,578,794 (2009: HK$894,551,662), and the amount standing to the credit of the special capital reserve was HK$13,944,383 (2009: HK$13,944,233).

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 1(q).

(iv) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the end of the reporting period and is dealt with in accordance with the accounting policies in Notes 1(s) and (t).

(v) Other reserve

The other reserve comprises the share of an associate's reserve of the Group as at December 31, 2009.

(vi) Distributability of reserves

At December 31, 2010, reserves of the Company available for distribution to equity shareholders of the Company amounted to HK$632,216,000 (2009: revenue reserve HK$630,998,000).

29. Capital, reserves and dividends *(continued)*

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to support the Group's stability and growth, by pricing products and services commensurately with the level of risk.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholders return, taking into consideration the future of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is debt-free and no changes were made in the objectives, policies or processes during the years ended December 31, 2010 and December 31, 2009.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

30. Income tax in the statement of financial position

(a) Current taxation in the statement of financial position represents:

	Group	
	2010	2009
	HK$'000	HK$'000
Overseas taxation	**1,791**	2,132

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Group		
Deferred tax arising from:	**Depreciation allowances in excess of related depreciation**	**Tax losses**	**Total**
	HK$'000	HK$'000	HK$'000
At January 1, 2009	108,653	(356,867)	(248,214)
(Credited)/charged to profit or loss (Note 6(a))	(13,631)	5,658	(7,973)
At December 31, 2009	95,022	(351,209)	(256,187)
At January 1, 2010	**95,022**	**(351,209)**	**(256,187)**
Credited to profit or loss (Note 6(a))	**(4,478)**	**(19,404)**	**(23,882)**
At December 31, 2010	**90,544**	**(370,613)**	**(280,069)**

	Group	
	2010	2009
	HK$'000	HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**(343,145)**	(330,305)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**63,076**	74,118
	(280,069)	(256,187)

30. Income tax in the statement of financial position *(continued)*

(c) Deferred tax assets not recognised:

The Group has not recognised deferred tax assets in respect of the following:

	Group	
	2010	2009
	HK$'000	HK$'000
Future benefit of tax losses	**399,807**	401,937
Impairment loss for bad and doubtful accounts	**69**	174
	399,876	402,111

31. Financial risk management and fair values

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's businesses. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a defined credit policy in place with general credit terms ranging from 0 to 90 days. The exposure to credit risks is monitored on an ongoing basis. The Group has no significant concentrations of credit risk from customers. Subscription revenue from customers is settled mainly in cash or via major credit cards.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. The Group's objective is to maintain a balance between the continuity of funding and the flexibility through use of bank overdrafts and bank loans. In addition, banking facilities have been put in place for contingency purposes.

31. Financial risk management and fair values *(continued)*

(b) Liquidity risk *(continued)*

The following table show the remaining contractual maturities at the end of the reporting period of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group and the Company can be required to pay:

	Group							
	2010				2009			
	Contractual undiscounted cash outflow				Contractual undiscounted cash outflow			
	Within 1 year or on demand HK$'000	**More than 1 year but less than 2 years HK$'000**	**Total contractual undiscounted cash flow HK$'000**	**Carrying amount in the consolidated statement of financial position HK$'000**	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount in the consolidated statement of financial position HK$'000
Amounts due to trade creditors	**85,426**	**—**	**85,426**	**85,426**	91,058	—	91,058	91,058
Accrued expenses and other payables	**210,215**	**8,068**	**218,283**	**218,283**	243,324	8,068	251,392	251,392
Receipts in advance and customers' deposits	**174,844**	**330**	**175,174**	**175,174**	155,595	233	155,828	155,828
Amounts due to fellow subsidiaries	**28,234**	**—**	**28,234**	**28,234**	48,110	—	48,110	48,110
Amount due to immediate holding company	**1,816**	**—**	**1,816**	**1,816**	1,872	—	1,872	1,872
	500,535	**8,398**	**508,933**	**508,933**	539,959	8,301	548,260	548,260

	Group					
	2010			2009		
	Contractual undiscounted cash outflow/(inflow)			Contractual undiscounted cash outflow/(inflow)		
	Within 1 year or on demand HK$'000	**More than 1 year but less than 2 years HK$'000**	**Total contractual undiscounted cash flow HK$'000**	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	Total contractual undiscounted cash flow HK$'000
Derivatives settled gross:						
Forward exchange contract at fair value through profit or loss						
— Outflow	**23,058**	**—**	**—**	—	—	—
— Inflow	**(23,377)**	**—**	**—**	—	—	—

Note: Forward exchange contract was remeasured to fair values at each end of reporting period. The positive fair value of forward exchange contract at December 31, 2010 was HK$319,000.

31. Financial risk management and fair values *(continued)*

(b) Liquidity risk *(continued)*

	Company							
	2010				2009			
	Contractual undiscounted cash outflow				Contractual undiscounted cash outflow			
	Within 1 year or on demand HK$'000	**More than 1 year but less than 2 years HK$'000**	**Total contractual undiscounted cash flow HK$'000**	**Carrying amount in the consolidated statement of financial position HK$'000**	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount in the consolidated statement of financial position HK$'000
Accrued expenses, other payables and deposit received	**1,669**	**—**	**1,669**	**1,669**	3,005	—	3,005	3,005
	1,669	**—**	**1,669**	**1,669**	3,005	—	3,005	3,005
Financial guarantees issued: Maximum amount guaranteed (Note 35)	**2,000**	**—**	**2,000**	**—**	6,000	—	6,000	—

	Company					
	2010			2009		
	Contractual undiscounted cash outflow/(inflow)			Contractual undiscounted cash outflow/(inflow)		
	Within 1 year or on demand HK$'000	**More than 1 year but less than 2 years HK$'000**	**Total contractual undiscounted cash flow HK$'000**	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	Total contractual undiscounted cash flow HK$'000
Derivative settled gross:						
Forward exchange contract at fair value through profit or loss						
— Outflow	**23,058**	**—**	**—**	—	—	—
— Inflow	**(23,377)**	**—**	**—**	—	—	—

(c) Interest rate risk

At December 31, 2010, the Group had short-term deposits with bank and other financial institutions amounting to HK$170,182,000 (2009: HK$385,004,000), with original maturities of 7 to 31 days at market interest rates. Apart from the foregoing, the Group has no other significant income-generating financial assets or interest-bearing financial liabilities. The Group's revenue, expenses and cash flows are substantially independent of changes in market interest rates.

31. Financial risk management and fair values *(continued)*

(c) Interest rate risk *(continued)*

Effective interest rates and repricing analysis

In respect of income-earning financial assets, the following table indicates their effective interest rates at the end of the reporting period and the periods in which they reprice:

Interest rate risk	Group				Company			
	One year or less Total		Effective interest rate		One year or less Total		Effective interest rate	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**%**	%	**HK$'000**	HK$'000	**%**	%
Floating rate:								
Cash and cash equivalents	**276,500**	145,848	**0.04**	0.12	**185,178**	26,651	**—**	—
Fixed rate:								
Cash and cash equivalents	**170,182**	385,004	**0.53**	0.01	**170,182**	385,004	**0.53**	0.01

At December 31, 2010, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's loss after tax and revenue reserve by approximately HK$4,467,000 (2009: HK$5,309,000).

The sensitivity analysis above indicates the instantaneous change in the Group's loss after tax (and revenue reserve) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's loss after tax (and revenue reserve) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2009.

(d) Currency risk

(i) Forecast transactions

The Group is exposed to currency risk primarily through programmes acquisition activities whereby a substantial portion of our programming costs on overseas content is settled in United States dollars. In view of the continued support from the Hong Kong SAR Government to maintain the peg of the Hong Kong dollar to the United States dollar, management does not expect that there will be any significant currency risk associated with programming cost commitments denominated in United States dollars.

(ii) Recognised assets and liabilities

In respect of trade and other receivables and payables denominated in foreign currencies, the Group manages the net exposure by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

31. Financial risk management and fair values *(continued)*

(d) Currency risk *(continued)*

(iii) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from forward exchange contract, forecast transactions and recognised assets or liabilities denominated in currencies other than the functional currency of the entity to which they relate.

	Group					
	2010			2009		
	Renminbi '000	**Euros '000**	**United States Dollars '000**	Renminbi '000	Euros '000	United States Dollars '000
Trade and other receivables	**36**	**56**	**13,579**	940	3,102	32,325
Cash and cash equivalents	**14,761**	**33**	**2,417**	20,876	1,901	2,503
Trade and other payables	**(1,516)**	**—**	**(6,429)**	(2,586)	(3)	(8,465)
Exposure arising from recognised assets and liabilities	**13,281**	**89**	**9,567**	19,230	5,000	26,363
Highly probable forecast purchases	**—**	**(7,240)**	**(212,423)**	—	(10,155)	(270,946)
Notional amount of forward exchange contract at fair value through profit or loss	**—**	**2,250**	**—**	—	—	—
Overall net exposure	**13,281**	**(4,901)**	**(202,856)**	19,230	(5,155)	(244,583)

	Company					
	2010			2009		
	Renminbi '000	**Euros '000**	**United States Dollars '000**	Renminbi '000	Euros '000	United States Dollars '000
Notional amount of forward exchange contract at fair value through profit or loss and overall net exposure	**—**	**2,250**	**—**	—	—	—

(iv) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss after tax (and revenue reserve) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

	Group			
	2010		2009	
	Increase/ (decrease) in foreign exchange rates	**Effect on loss after tax and revenue reserve HK$'000**	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and revenue reserve HK$'000
Renminbi	**5%**	**642**	5%	911
Euros	**5%**	**(2,091)**	5%	(2,501)

31. Financial risk management and fair values *(continued)*

(d) Currency risk *(continued)*

(iv) Sensitivity analysis *(continued)*

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group's loss after tax and revenue reserve measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2009.

32. Fair values

All financial instruments are carried at amounts not materially different from their fair values as at December 31, 2010 and 2009.

As at December 31, 2010, the Group has an available-for-sale equity security investment. The fair value was originally measured using quoted prices in active markets of identical financial instruments in prior reporting years. Since quoted prices of the available-for-sale equity security investment are not available at December 31, 2010, the management adopted valuation technique in which significant inputs are not based on observable market data.

As at December 31, 2010, the fair value of the forward exchange contract is determined using forward exchange market rates using quoted prices in active markets for similar financial instruments.

33. Jointly controlled assets

At December 31, 2010, the aggregate amounts of assets and liabilities recognised in the financial statements relating to the Group's interests in jointly controlled assets are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Assets:		
Programming library	**919**	3,654
Prepayments and other receivables	**1,300**	650
	2,219	4,304
Liabilities:		
Accrued expenses and other payables	**—**	—

34. Commitments

Commitments outstanding as at December 31, 2010 not provided for in the financial statements were as follows:

	Group		Company	
	2010 **HK$'000**	2009 HK$'000	**2010** **HK$'000**	2009 HK$'000
Capital commitments				
(i) Property, plant and equipment				
— Authorised and contracted for	**8,096**	44,687	**—**	—
— Authorised but not contracted for	**111,743**	90,179	**—**	—
	119,839	134,866	**—**	—
(ii) Acquisition of equity interests in prospective subsidiary and associate				
— Authorised and contracted for	**2,895**	2,838	**—**	—
— Authorised but not contracted for	**—**	—	**—**	—
	2,895	2,838	**—**	—
	122,734	137,704	**—**	—
Programming and other commitments				
— Authorised and contracted for	**1,717,043**	2,177,823	**—**	—
— Authorised but not contracted for	**142,147**	139,240	**—**	—
	1,859,190	2,317,063	**—**	—
Operating lease commitments				
— Within one year	**35,573**	45,366	**—**	—
— After one year but within five years	**19,219**	44,683	**—**	—
— After five years	**32,325**	40,828	**—**	—
	87,117	130,877	**—**	—
	2,069,041	2,585,644	**—**	—

34. Commitments *(continued)*

(a) Operating lease commitments

The Group leases a number of premises under operating leases for use as office premises, car parks, warehouses, district centres, remote camera sites, multipoint microwave distribution system transmission sites and hub sites. The terms of the leases vary and may be renewable on a monthly basis or run for an initial period of two to fifteen years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually adjusted every two to three years to reflect market rentals. None of the leases includes contingent rentals.

Some of the leased properties have been sublet by the Group under operating leases. The terms of the subleases vary and may be renewable on a monthly basis or run for an initial period of three years, with an option to renew the lease after that date at which time all terms are renegotiated.

The Group leases out decoders to subscribers under operating leases which are renewable on a monthly basis. None of the leases includes contingent rentals.

(b) Future operating lease income

(i) The total future minimum sublease payments receivable under non-cancellable subleases at December 31, 2010 amounted to HK$4,748,000 (2009: HK$10,749,000).

(ii) The total future minimum lease payments receivable in respect of decoders and other equipment under non-cancellable operating leases are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Within one year	**1,861**	2,496
After one year but within five years	**—**	—
	1,861	2,496

35. Contingent liabilities

As at December 31, 2010, there were contingent liabilities in respect of the following:

(i) The Company has undertaken to provide financial support to certain of its subsidiaries in order to enable them to continue to operate as going concerns.

(ii) Guarantees, indemnities and letters of awareness to banks totalling HK$12 million (2009: HK$19 million) in respect of overdraft and guarantee facilities given by those banks to the subsidiaries. Of this amount, at December 31, 2010, HK$2 million (2009: HK$6 million) was utilised by the subsidiaries.

As at the end of the reporting period, the Company has issued three separate guarantees to a bank in respect of banking facilities granted to two wholly owned subsidiaries. At December 31, 2010, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the end of the reporting period under the guarantees issued is the facilities drawn down by the wholly owned subsidiaries of HK$2 million (2009: HK$6 million). The Company has not recognised any deferred income in respect of the guarantees as their fair values cannot be reliably measured and the transaction price was HK$Nil.

36. Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions during the year ended December 31, 2010:

	2010 HK$'000	2009 HK$'000
Rentals payable and related management fees on land and buildings (Note (i))	**43,381**	42,855
Rentals receivable on land and buildings (Note (ii))	**(5,464)**	(5,389)
Network repairs and maintenance services charge (Note (iii))	**(5,621)**	(4,904)
Management fees (Note (iv))	**5,663**	11,212
Computer services (Note (v))	**2,458**	4,221
Leased line and Public Non-Exclusive Telecommunications Service ("PNETS") charges and international bandwidth access charges (Note (vi))	**29,595**	37,180
Internet Protocol Point wholesale services charge (Note (vii))	**(40,445)**	(41,151)
Agency fees (Note (viii))	**(13,303)**	(14,824)

Notes:

(i) These represent rentals and related management fees paid to fellow subsidiaries in respect of office premises, car parks, warehouses, district centres and hub sites. As at December 31, 2010, related rental deposits amounted to HK$9,925,000 (2009: HK$9,995,000).

(ii) This represents rentals received from a fellow subsidiary in respect of the lease of office premises.

(iii) This represents service charges to a fellow subsidiary in relation to the operation, repair and maintenance of ducts, cables and ancillary equipment.

(iv) This represents costs incurred by a fellow subsidiary on the Group's behalf which were recharged to the Group.

(v) This represents service charges paid to fellow subsidiaries for computer system maintenance and consulting services provided.

(vi) These represent service fees paid to a fellow subsidiary in respect of the leasing of datalines, PNETS charges and international bandwidth access charges incurred.

(vii) This represents service charges received from a fellow subsidiary in relation to the Internet Protocol Point wholesale services.

(viii) This represents service charges received from a fellow subsidiary in relation to the agency services.

The immediate holding company has issued deeds of indemnity in respect of certain taxation and costs arising in respect of the period prior to November 1, 1999. The Group is not charged for these indemnities.

Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in Note 7 and certain of the highest paid employees as disclosed in Note 8, is as follows:

	2010 HK$'000	2009 HK$'000
Short-term employee benefits	**22,281**	26,371
Post-employment benefits	**1,138**	1,235
	23,419	27,606

Total remuneration is included in "staff costs" (See Note 5).

37. Accounting estimates and judgements

Management considers the key source of estimation uncertainty lies in the recognition of deferred tax assets from unused tax losses. As explained in Note 1(p), all deferred tax assets to the extent that it is probable that future taxable profits will be available against which they can be utilised, are recognised. It is possible that adverse changes to the operating environment or the Group's organisation structure could cause a future write-down of the deferred tax assets recognised.

Apart from deferred tax assets, management also makes estimates and assumptions that affect the reported amounts of other assets, liabilities, revenue and expenses as well as the disclosure of contingent assets and liabilities. Notes 1(g), 1(i)(i), l(i)(iv) and 1(i)(v), 1(k), 1(l), 1(t), and Note 32 contain information about the assumptions and risk factors relating to useful lives of property, plant and equipment, net realisable value of commissioned programmes, film rights and perpetual film rights and films in progress, impairment of property, plant and equipment, other intangible assets, inventories, loans and receivables, and unlisted equity instruments.

The useful lives of property, plant and equipment are estimated at the time such assets are acquired and are based on historical experience with similar assets, also taking into account the anticipated technological or industrial changes in order to determine the amount of depreciation expense to be recorded during any reporting period. If these changes were to occur more rapidly than anticipated or in a different form than anticipated, the useful lives assigned to these assets may need to be shortened, resulting in the recognition of increased depreciation expense in future periods.

Net realisable values of commissioned programmes, film rights and perpetual film rights and films in progress are estimated based on the projected future revenue to be derived from all applicable territories and windows less cost to sell, taking into account historical performances of films and programmes with comparable budgets, casts, or other relevant qualities. Impairment is made for carrying costs that are in excess of the expected future revenue to be generated by these programmes and films. Films in progress are stated at cost less any impairment, taking into account the project status, and estimated realisable value. If revenue actually generated were to fall short of forecasts, or there are changes in total projected ultimate gross revenues, amortisation may need to be increased, or impairment may need to be made to reduce the carrying value of individual programme or film to its realisable amount.

Property, plant and equipment, inventories, other intangible assets and various financial instruments including loans and receivables, equity instruments are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may exceed the realisable value. If any such indication exists, the asset's realisable value is estimated and an impairment loss is recognised.

The value of property, plant and equipment and inventories and other intangible assets in use represent the amount that these assets are expected to generate based on reasonable and supportable assumptions. The value of loans and receivables are calculated based on estimated future cash flows. The fair value of equity instruments are estimated based on a combination of valuation techniques including use of recent arm's length market transactions of the underlying securities and references to the fund managers' estimated fair value as adjusted for specific circumstances of the investment including recent fund raising results and financial outlook.

Actual results may differ from these estimates under different assumptions or conditions.

38. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended December 31, 2010

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and interpretations and one new standard which are not yet effective for the year ended December 31, 2010 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position except for the following developments are expected to result in amended disclosures in the financial statements including restatement of comparative amounts in the first period of adoption:

	Effective for accounting periods beginning on or after
Improvements to HKFRSs 2010	July 1, 2010 or January 1, 2011
HKAS 24 (revised), *Related Party Disclosures*	January 1, 2011
HKFRS 9, *Financial Instruments*	January 1, 2013

39. Parent and ultimate controlling party

The Directors consider the parent and the ultimate controlling party at December 31, 2010 to be Wharf Communications Limited and Wheelock and Company Limited, respectively, both of which are incorporated in Hong Kong. Wheelock and Company Limited produces financial statements available for public use.

40. Approval of financial statements

The financial statements were approved and authorised for issue by the Directors on March 15, 2011.

Five-year Financial Summary

(Expressed in HK$ million)

	2006	2007	2008	2009	**2010**
Results					
Turnover	2,547	2,304	2,080	1,754	**2,002**
Operating expenses	(2,349)	(2,126)	(2,161)	(1,798)	**(2,251)**
(Loss)/profit from operations	198	178	(81)	(44)	**(249)**
Interest income	12	21	6	—	**—**
Finance costs, net	—	—	—	—	**—**
Non-operating (expenses)/income	—	2	(2)	(1)	**1**
Impairment losses on investment	—	(2)	(2)	(2)	**(1)**
Share of loss of associate	—	—	(17)	—	**(41)**
(Loss)/profit before taxation	210	199	(96)	(47)	**(290)**
Income tax	(29)	(16)	(15)	7	**23**
(Loss)/profit for the year	181	183	(111)	(40)	**(267)**
Attributable to:					
Equity shareholders of the Company	182	182	(110)	(41)	**(267)**
Non-controlling interests	(1)	1	(1)	1	**—**
(Loss)/profit for the year	181	183	(111)	(40)	**(267)**
Assets and Liabilities					
Property, plant and equipment	1,591	1,391	1,157	1,153	**1,146**
Programming library	186	183	132	114	**114**
Other intangible assets	13	8	4	4	**4**
Interest in associate	—	59	39	38	**—**
Deferred tax assets	388	354	330	330	**343**
Other non-current assets	51	105	172	82	**111**
Current assets	794	834	936	914	**602**
Total assets	3,023	2,934	2,770	2,635	**2,320**
Current liabilities	592	532	615	542	**502**
Deferred tax liabilities	115	97	81	74	**63**
Other non-current liabilities	54	34	20	8	**8**
Total liabilities	761	663	716	624	**573**
Share capital	2,019	2,017	2,012	2,012	**2,012**
Reserves	240	250	37	(4)	**(268)**
Total equity attributable to equity shareholders of the Company	2,259	2,267	2,049	2,008	**1,744**
Non-controlling interests	3	4	5	3	**3**
Total liabilities and equity	3,023	2,934	2,770	2,635	**2,320**

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A Chinese version of this annual report is available from the company upon request
如有需要，可向本公司索取本年報之中文版本

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