i-CABLE COMMUNICATIONS LIMITED

STOCK CODE: 1097

# 2020 ANNUAL REPORT

# CONTENTS



The English text of this annual report shall prevail over the Chinese text in case of inconsistencies or discrepancies.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Non-executive Directors
Tan Sri Dato' David CHIU *(Chairman)*
Dr. CHENG Kar-Shun, Henry *GBM, GBS (Vice-chairman)*
Mr. TSANG On Yip, Patrick
Mr. HOONG Cheong Thard
Mr. LIE KEN JIE Remy Anthony Ket Heng
Ms. NG Yuk Mui Jessica

### Executive Director
Mr. Andrew Wah Wai CHIU

### Independent Non-executive Directors
Mr. LAM Kin-Fung, Jeffrey *GBS, JP*
Dr. HU Shao Ming Herman *SBS, JP*
Mr. LUK Koon Hoo, Roger *BBS, JP*
Mr. TANG Sing Ming Sherman

## AUDIT COMMITTEE

Mr. LUK Koon Hoo, Roger *(Chairman)*
Mr. HOONG Cheong Thard
Mr. TANG Sing Ming Sherman

## NOMINATION COMMITTEE

Tan Sri Dato' David CHIU *(Chairman)*
Mr. LAM Kin-Fung, Jeffrey
Mr. LUK Koon Hoo, Roger

## COMPENSATION COMMITTEE

Mr. LAM Kin-Fung, Jeffrey *(Chairman)*
Tan Sri Dato' David CHIU
Mr. TSANG On Yip, Patrick
Dr. HU Shao Ming Herman
Mr. LUK Koon Hoo, Roger

## AUTHORISED REPRESENTATIVES

Mr. Andrew Wah Wai CHIU
Mr. KWOK Chi Kin

## COMPANY SECRETARY

Mr. KWOK Chi Kin

## PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited

## SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 54, Hopewell Centre,
183 Queen's Road East,
Hong Kong

## REGISTERED OFFICE

7th Floor, Cable TV Tower,
9 Hoi Shing Road,
Tsuen Wan,
Hong Kong

## INDEPENDENT AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

## CORPORATE WEBSITE

www.i-cablecomm.com

## STOCK CODE

01097

Dear Shareholders,

2020 was a year of extraordinary changes, and also a significant year for i-CABLE Communications Limited (the "Company" or "i-CABLE"), its subsidiaries and consolidated structured entities (collectively the "Group"). The coronavirus pandemic ("COVID-19") has brought unprecedented and severe challenges globally, and Hong Kong has not escaped the serious impact on business. I am deeply grateful that since Forever Top (Asia) Limited ("Forever Top" or the "Controlling Shareholder") became the controlling shareholder of i-CABLE in September 2017, with the persistent efforts of the team, through proactive development, effective cost saving, and maximized value of resource input, we gradually improved overall business performance despite facing various fluctuations and arduous tests. That is really encouraging.

Over the past years, the Group has implemented various cost control measures. The telecommunications business has achieved continuous growth, with revenue seeing an average annual growth rate of approximately 9% in the past three years. The advertising revenue of the free television channel, Hong Kong Open TV ("Open TV"), increased by approximately 61% over last year. Although the MTR Corporation Limited ("MTR") In-Train TV has not achieved significant growth due to the impact of COVID-19, it is believed that when the epidemic is brought under control, this operation will make positive contributions. In addition, airtime sales business will benefit from more new advertising formats of MTR Mobile, to be launched this year, and the bundled selling of MTR Mobile with MTR In-Train will expand the sources of revenue from online to offline. The Group achieved positive operating cash flows for the year ended 31 December 2020, although it still recorded a loss for the same period, mainly due to depreciation. The Group's 2020 positive operating cash flow is the first time since Forever Top became the controlling shareholder of i-CABLE. I sincerely thank all the teams in the Group for their joint efforts.

As a primary media organization commanding the largest and most influential TV viewership and communication service user base in Hong Kong, the Group currently owns and operates a territory-wide telecommunications network covering more than two million households. In the future, i-CABLE will continue to invest and expand its core network of fiber coverage to actively provide customers with the best quality services and to expand new business opportunities. We will work towards the goal of becoming a leading telecommunications network operator in Hong Kong.

At the same time, the Group plans to extend its fiber network connectivity to major data centres in Hong Kong, and has started to provide Data Centre Interconnection and Dedicated Internet Access Line business for enterprises. With expectations of booming market demands and opportunities for data centre business in the year 2021, the Group will continue to extend service coverage to major data centres and commercial buildings in Hong Kong, enhancing peer-to-peer connections with major data centres, international carriers and global internet service providers. The Group will continue to explore collaboration with strategic telecom partners to enhance network coverage and provide IP Transit services for enterprises, one-stop enterprise solutions and data centre connectivity business. Business-to-business operations will be one of the future development priorities of the Group's telecommunications business segment.

With rapid technology development in recent years, coupled with the epidemic situation, new media have achieved unprecedented growth in leaps and bounds. In response to this trend, the consumer behavior patterns of entertainment media are changing rapidly, and new media is bound to become a major player in the future. The Group will maintain its competitive advantage, use powerful content to help its own online platform, strive to develop over-the-top platforms, and actively promote them to achieve constructive contributions.

As a result of the persistent efforts of the management team, the Group's business is stabilizing. While profit and loss are effectively managed, the efficiency of human resources is also improved. The Group will continue to work hard to carry out structural reforms. The expected new era of 5G network can create further opportunities for the Group. i-CABLE will actively improve the high-speed and high-quality network transmission services for communication providers by using well-established infrastructure facilities and a wide coverage of optical fiber networks to meet the rapid growth and expansion brought about by 5G in the market, in order to develop new sources of income for the Group.

The world has undergone major changes, and the epidemic situation as well as economic, environmental, and social development changes have become the focus of public attention. i-CABLE News will continue to keep a timely pace, with professionalism, through objective analysis and detailed reports, to provide viewers with faster and more updated information. The Group will also continue to fully support the i-CABLE News team that will adhere to impartial, fair and objective reporting. Besides, in order to further enrich the news content, the Group has introduced a number of news channels from different regions during the past year. Currently, the Group provides our viewers with over 20 news channels at its pay television platform.

I would like to thank all colleagues for their hard work as well as members of the board of directors for their full trust, advertisers for their strong support, and the alliance with our partner China Mobile Hong Kong Company Limited, which enabled us to achieve success amid the adversity of the year 2020. For the coming year, the Group will adopt a cautious, but optimistic and innovative attitude, and continue to go all out to achieve the set goals.

**Tan Sri Dato' David Chiu**
*Chairman*

Hong Kong, 30 March 2021

## OPERATING ENVIRONMENT

The COVID-19 pandemic has brought unprecedented challenges and profound uncertainties in the business environment. Notwithstanding the deteriorated Hong Kong economy, the financial performance of the Group for the year ended 31 December 2020 has improved as compared to the year ended 31 December 2019. The improvement was primarily driven by the Group's effective cost-saving initiatives and the increase in revenue from various collaborations with China Mobile Hong Kong Company Limited ("CMHK"). The Group has also been formulating an organisation restructuring which includes, among other things, (i) cost-saving initiatives; (ii) introduction of new contents and channels; (iii) new television content co-operation models; and (iv) strategic review on possible restructuring of the Group's business portfolio to achieve cost-saving and improve profitability. On the subscription business front, keen competition has continued to contract the subscription customer base of pay television ("Pay TV") service while the number of subscribers of the broadband service continued to grow from network upgrades and sales and marketing strategies. With efficacious sales and marketing campaign and the introduction of diverse contents, the advertising revenue from Open TV improved during the year under review, while Pay TV advertising revenue declined due to the challenging macroeconomic environment in Hong Kong and intensified competition among over-the-top (OTT) platforms and digital media, the decline was offset by creative selling and the introduction of value-added advertising services with comprehensive marketing solutions.

### Business

| Customers | **December 2020 ('000)** | December 2019 ('000) |
|---|---|---|
| Television | **736** | 772 |
| Broadband | **197** | 175 |
| Telephony | **76** | 82 |

The outbreak of COVID-19 caused severe disruptions to global social and economic activities which further dampened consumer sentiment. In addition to the blazing competition in the market, the Pay TV subscription customer base and the subscription average revenue per user ("ARPU") continued to contract.

The Group has continued to upgrade our broadband network in order to provide high speed Gigabit-capable Passive Optical Network ("GPON") services to subscribers, resulting in an increase of approximately 13% in the customer base as at 31 December 2020 comparing to that as at 31 December 2019. The growth was also attributable to the timely adoption of effective sales and marketing strategies and recognition from the market for the quality of network service. Diverse service subscription packages with new contents and combination were also launched to enhance customer retention of broadband service.

The Group currently owns and operates a territory-wide telecommunications network which covers over two million households in Hong Kong. In year 2020, the Group continued to expand its core network of fibre coverage and increase core network capacity to cater for both residential and commercial markets and prepare for business growth. The Group also invested in expanding network coverage of GPON in order to provide fibre to the home ("FTTH") high-speed internet services to subscribers. The Group has strived to stabilise the broadcasting and hybrid fibre coaxial (HFC) network to secure high transmission quality and widen network availability.

## OPERATING ENVIRONMENT (Continued)

### Business (Continued)

One of the Group's major sources of revenue in the telecommunications segment was generated from the various collaborations with CMHK in full range covering, among other things, contents, network consultation and rollout as well as mobile business. We keep utilising our network expertise and strength to facilitate the design, planning and installation of CMHK's infrastructure work in Hong Kong. The Group will continue to explore new partnership opportunities to sustain business growth in year 2021.

Open TV witnessed revenue growth with huge demand of airtime sales during the year ended 31 December 2020. The introduction of new sales initiatives and diversified advertising solutions led to an increase in sales in digital and social media platforms. Overall, the advertising revenue from Open TV achieved an impressive year-to-year growth in year 2020 amid deteriorating economic conditions. Subscription revenue from Pay TV declined due to intense market competition from OTT platforms and digital media. The decline was partially offset by creative selling and the introduction of value-added advertising services with comprehensive marketing solutions. The Group will continue to offer integrated marketing solutions, creative content sponsorship, product placement and multi-platform media bundling in order to capture more business opportunities and expand revenue sources in year 2021 and beyond.

As the exclusive commercial airtime sales distributor and content provider for the MTR In-train TV of MTR, we continue to provide exciting contents, including local and international news, financial news, sports news, entertainment news and infotainment, to passengers throughout the day. Impacted by the closure of Lo Wu and Lok Ma Chau stations due to COVID-19, the flow of people across the border dropped significantly, together with the prevalent domestic and external headwinds, advertisers acted prudently on advertising spending, some of the committed advertising plans were deferred and leading to the decline in revenue brought by MTR In-train TV. The Group adopted various approaches to mitigate the impact of this challenging situation including offering tailor-made mini-programmes and integrated advertising solutions to identify and capitalise on new business opportunities. The bundled selling of MTR Mobile with MTR In-train TV in year 2020 opened a new source of income, created new sales formats from off to on media platforms. It also initiated interests of potential advertisers to successfully drive new business revenue. The Group will continue to enhance our sales and marketing strategies in order to facilitate the resilience of business operations against future crises, it is expected that the Group will benefit from the expansion of new lines and new trains when they are put into service from year 2021 onwards.

The Group consolidated our advantages and reinforced our strength across media platforms in year 2020 by amplifying our audience reach and introducing new genres of content to different platforms. Since its rollout in September 2019, i-CABLE News OTT App reached over 0.6 million downloads by 31 December 2020. The Group has always set its sight on delivering first-hand news, finance, sports as well as lifestyle content. In light of this goal, the Group produced and introduced a vast variety of new programmes in year 2020, including "Shopping with Pretty" (靚女掃貨團), "Patrick's Kitchen" (泰山自煮之親子便當), "Listen to the Doctor" (聽吓醫生講), "Good Morning Principle" (校長！早晨), "Chit Chat with Mum" (講媽Beli Bala) and "King of Postnatal Care Helper" (陪月王之坐月餐).

In June 2020, i-CABLE introduced enhanced version of its mobile application, i-CABLE Mobile, by adding two free television channels — Open TV (Channel 77) and Hong Kong International Business Channel (Channel 76). In addition, a wider range of content, including free and paid content, is available on-demand. While compatible with both iOS and Android smartphones and tablets, viewers can watch their favourite programmes at all times on-the-go.

## OPERATING ENVIRONMENT (Continued)

### Business (Continued)

The Group has implemented several ways to achieve resource optimisation throughout the year including reinforcing collaboration with various strategic partners, enriching our content and refining channel line-up to highlight our unique strength of genres. The Group will continue to unlock greater synergistic value by introducing premium content for multiple platforms, especially mobile application, and expanding revenue streams in oversea markets.

### Programming

As an established and popular betting channel in Pay TV market, Channel 18 maintains enormous popularity in horse-racing circle due to its professional production and commentaries. Immense vibrant programmes are produced to widen customer base. “Racing Popularity~Sanchez” (珊姐有約) and “Emily’s Racing Series” (Emily賽馬世界) are the brand new series that bring the most updated entertaining stories of local racing circle, while “18 Betting Tower” (18烽火台) provides audience with professional betting information and analysis. In response to Hong Kong Jockey Club’s new bet-type, “The Forecast” (二重彩), “Forecast Talk” (開心二重奏) were specially produced to provide audience with specific insight and betting tips.

On the sports front, major sports events were cancelled or postponed due to COVID-19. The Group continued to deliver exclusive sports events to viewers such as UEFA Nations League (歐洲國家聯賽), European Qualifiers to EURO 2020 (歐洲國家盃外圍賽), J.League (日本職業足球聯賽), Russian Football Premier League (俄羅斯超級足球聯賽), German Cup (德國盃足球賽), Chinese Basketball League (中國職業籃球聯賽), etc.. The Group introduced two self-produced programmes, namely “Beyond Adversity” (高山低谷) and “Insider 2020” (體壇打不死) to fill in the window period in the sports calendar. The Group also offered world-class sports leagues and tournaments such as Serie A (意大利甲組足球聯賽), Ligue 1 (法國甲組足球聯賽), Major League Soccer (美國職業足球賽), AFC Championship League (亞冠盃) and so forth.

As the COVID-19 situation remained severe throughout the year, Open TV (Channel 77) endeavoured to produce new variety programmes within the territory and with the support from various government departments. Programme highlights included “Best of Cha Chaan Teng” (茶餐廳龍虎榜), “Pet Shop Keeper” (貓店長), “Drink Around HK” (酒勻全香港), “Unplugged Sunday” (5個星星的晚上), “Undercover Takeaway” (餓底外賣員), “Ode to Heritage” (難得有傳人), “Police Story” (守護香港的故事), “Stand by You” (無署不在) and “Original Group” (原始組). All these programmes arouse viewers’ awareness and interest resulted in an improvement in TV ratings in the second half of last year.

In the fourth quarter, the Group enriched its Pay TV content by acquiring new channels including Russia Today TV, Outdoor Channel and Al Jazeera English, aiming to complement i-CABLE’s highly recognised, award-winning news and creative local production programmes, and provide a range of new international genres for our Pay TV subscribers.

## OPERATING ENVIRONMENT (Continued)

### Principal Risks and Uncertainties Facing the Group

The following principal risks and uncertainties are considered to be of significance and have the potential to affect the Group's businesses, results of operations and financial conditions. However, this is non-exhaustive as there may be other risks and uncertainties arising, resulting from changes in the economy and other conditions over time.

The media segment is experiencing intense competition in a crowded marketplace with a super dominant operator and changing user behavior. A wider range of contents is available on new platforms and various mobile devices for users to select and view anytime and anywhere. An abundant supply of contents intensified competition, which further weakened the demand for our subscription content. At the same time, competition is getting keener as a result of the fast development of new media in the market. Although the operating results of the Group has improved during the year ended 31 December 2020, enhancing our competitiveness is one of the essential elements to keep in pace with the media market, the Group will make prudent and necessary investment in content and infrastructure to strengthen our competitiveness.

The telecommunications segment is faced with fast changing technology and customers are constantly demanding for better quality and higher-speed internet service. The Group's operations depend on its ability to innovate and upgrade its services and the successful deployment of new technologies. The Group will continue to enhance its network and bring better quality service to the customers. The enhancement would strengthen our competitiveness and bring in revenue growth potential.

Recurrent losses have weakened the Group's financial position and increased its dependency on external financing.

The Group also exposed to certain financial risks which are set out in Note 5 to the consolidated financial statements in this annual report.

# BUSINESS MODEL

The Group is an integrated communications services provider in Hong Kong, commanding a large and influential television viewer and communications service user base in town.

It owns and operates a near universal wireline telecommunications network in Hong Kong to provide media and telecommunications services to over two million households.

It is also one of the producers of television and multimedia content based in Hong Kong for distribution over conventional and new media, with a particular focus on news, information, sports and entertainment.

# BUSINESS STRATEGY

The Group endeavours to sharpen its services to attain higher customer satisfaction, which in turn drives business and revenue performance. Specifically, the Group pursues the following:

(a) acquire, produce and distribute quality content meeting local tastes and needs;

(b) invest in infrastructure, network and delivery platforms to enhance service level and customer convenience;

(c) unlock the value of our infrastructure as well as programming assets for cross-platform and international distribution; and

(d) continuously better our processes and procedures to always stay cost-effective.

## ABOUT THIS REPORT

As a responsible corporate citizen, i-CABLE Communications Limited (the "Company"), its subsidiaries and consolidated structured entities (collectively the "Group") are committed to responding to the challenges of climate change by adopting environmental protocols for our operations. We are also dedicated to creating a favourable environment for our staff members; providing resources to support their growth and development; as well as promoting staff engagement in social undertakings and volunteer work.

### Reporting Scope

This Environmental, Social and Governance ("ESG") report summarises the efforts made and accomplishments of the Group in Corporate Social Responsibilities ("CSR") during the period from 1 January 2020 to 31 December 2020 (the "Reporting Period") in accordance with the "comply or explain" provisions of Appendix 27 Environmental, Social and Governance Reporting Guide (the "ESG Guide") of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). With in-depth consideration on various areas such as source of income and scale of businesses which reflects the significance of ESG impact, the ESG working group reckoned that scope of this ESG report covers our key business operations in the provision of media and telecommunications activities in Hong Kong. Details of the establishment and duties of the ESG working group are set out in the section headed "ESG Governance".

### ESG Governance

Our Group is committed to fulfilling stakeholders' expectations on our ESG practices. The board (the "Board") of directors (the "Directors") of the Company has the overall responsibility for the Company's ESG strategy and reporting and is responsible for ensuring that appropriate and effective ESG risk management and internal controls systems are in place.

We have established an ESG working group, which reports to the management of the Group and the Board, with representatives from different functions, including the Finance, Human Resources and Administrative departments, to collect the ESG data and facilitate the ESG reporting process. The ESG working group monitors issues that are material to the Group's operations, and schedules meetings in updating new policies and mechanisms in improving the management of the Group's strategic goals in sustainable development. In addition, the ESG working group evaluates the impact, efficiency and effectiveness of policies that are already in place, and takes remedial actions if the ESG policies are not properly implemented. Our management executes the ESG strategies determined by the Board and performs ongoing monitoring of the ESG-related risks. As part of the Group's internal control systems, a professional consultant has been engaged for annual assessment of the internal control and risk management systems so as to identify any deficiencies and provide recommendations for improvement accordingly.

## ABOUT THIS REPORT (Continued)

### Stakeholder Engagement

With the aim to align the Group's long term sustainability goals with its current vision and mission, we recognise the importance of integrating our stakeholders' expectations and requests and of truly understanding their concerns.

We actively engage our stakeholders and provide updates on our recent developments through diverse engagement channels. The table below highlights our key stakeholders and our communication channels:

| Stakeholder Group | Engagement Channels |
|---|---|
| Employees | • Internal emails and publications<br>• Meetings and briefings<br>• Training and workshops<br>• Employee activities<br>• Performance appraisal |
| Clients | • Corporate website<br>• Client meetings |
| Investors and Shareholders | • Annual general meeting<br>• Annual and interim report<br>• Press release and announcements<br>• Shareholders meeting<br>• Investors analysts meeting |
| Suppliers, Contractors and Business Partners | • Business meeting<br>• Site visits |
| Government and Regulators | • Email and phone communications |
| Social Groups and Public | • Email and phone communications<br>• Volunteer activities<br>• Sponsorships and donations |
| Media | • Press release<br>• Public events |

## ABOUT THIS REPORT (Continued)

### Materiality Assessment

Through our established engagement channels, we have identified relevant ESG issues and assessed their materiality to our businesses as well as to our stakeholders.

The materiality assessment process is set out as follows:

- Identification of potential issues: Screening of initial reference issues with reference to the ESG Guide, and peer benchmarking ideas against suitable peer companies to pinpoint material ESG issues performed.
- Stakeholder evaluation: Internal and external stakeholders, who possess significant dependency of influence on the Company, are invited to rank the importance of each ESG issue via established engagement channels and interviews.
- Prioritisation: The results from issues identification and stakeholder evaluation are combined to generate ESG materiality ranking.
- Validation: The ESG working group of the Company validates and confirms the key material ESG issues, and how they link to the respective Aspects and key performance indicators ("KPIs") of the ESG Guide.

In accordance with the results from the stakeholder engagement exercises, we have placed greater emphasis on ESG issues relating to product responsibility, employee safety, supply chain management and environmental protection. The table below highlights the ESG issues which were determined to be material to the Group covered in this report:

| # | Material ESG Issues | Aspects in the ESG Guide |
|---|---|---|
| 1 | • Service Commitment<br>• Intellectual Property Rights<br>• Personal Data Policy | B6: Product Responsibility |
| 2 | • Employee Health and Safety | B2: Health and Safety |
| 3 | • Supply Chain Management | B5: Supply Chain Management |
| 4 | • Air and Greenhouse Gas Emissions<br>• Waste Management | A1: Emissions |
| 5 | • Energy Management<br>• Water Management | A2: Use of Resources |
| 6 | • Environmental Impact Management | A3: The Environment and Natural Resources |
| 7 | • Labour Practices | B1: Employment |
| 8 | • Employee Development and Training | B3: Development and Training |
| 9 | • Prevention of Child and Forced Labour | B4: Labour Standards |
| 10 | • Anti-corruption<br>• Whistle Blowing | B7: Anti-Corruption |
| 11 | • Community Support<br>• Community Engagement | B8: Community Investment |

Looking ahead, we will continue to develop our CSR work in line with our business plans and strategies. This will not be possible without our colleagues' efforts and dedication in upholding CSR values.

## MATERIAL ESG ISSUES

### 1. Product Responsibility

We observe the codes and guidelines for television programme service licensees, along with various legislations including:

- Broadcasting Ordinance (Chapter 562 of the Laws of Hong Kong);
- Broadcasting (Miscellaneous Provisions) Ordinance (Chapter 391 of the Laws of Hong Kong);
- Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong);
- Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong); and
- Competition Ordinance (Chapter 619 of the Laws of Hong Kong).

We also have established various internal guidelines or codes of practices for different functions and divisions, and provided different trainings for staff development.

#### Service Commitment

We were awarded ISO 9001:2015 Quality Management System certification & ISO 10002:2014 Quality Management — Customer Satisfaction certification, covering after-sales services and customer cases management, by SGS Hong Kong Limited in March 2019 which continues to be well maintained in 2020.

We place customer experience as our priority. A quality management system in line with the requirements of the ISO standards is implemented to improve our hotline and customer care services, and to uplift installation and maintenance standards. We address customer complaints in a timely, fair and unbiased manner. Customer views are regularly collected and analysed through customer satisfaction surveys.

#### Intellectual Property Rights

We have the Corporate General IT Control Policies and Procedures in place to manage, protect and monitor information technology (IT) systems and data. The use of unauthorised software or copying of copyrights works is not allowed under our policy.

#### Personal Data Policy

We respect individuals' legal rights to privacy, and strictly abide by the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) in collecting, holding, processing and using customers' personal data. In addition to establishing policies and operation guidelines, we issue periodic reminders and deliver regular briefings to frontline staff to remind them of the importance of protecting personal data.

We protect the confidentiality of our customer data by implementing layers of security (IT controls) to prevent loss or leakage of customer data. Our Corporate General IT Control Policies and Procedures also ensure data security and IT system user access control.

There was no incident of non-compliance with the aforementioned laws and regulations that have a significant impact on the business operations of the Group during the Reporting Period.

## MATERIAL ESG ISSUES (Continued)

### 2. Employee Health and Safety

We are committed to providing and maintaining a healthy, safe, and hygienic workplace for all employees and related parties that are likely to be affected by our operations and activities. The following four policies on health and safety have been established and posted on the intranet:

1. The Safety Handbook & Company Policy which sets out the requirements on work place safety;
2. Typhoon & Rainstorm Policy which sets out the working arrangement under special weather;
3. Display Screen Equipment Assessment Policy which provides safety guidelines for using equipment; and
4. Policy on Arrangement for Infectious Diseases Outbreak which lays out guidance and measures in handling of infectious diseases.

To enhance employees' awareness of the importance of safe working practices, the Group has adopted the following key occupational health and safety measures:

- Annual practice of mass fire drill in collaboration with the Fire Department;
- Periodical occupational safety and health training courses;
- Demo video of physical exercise in department workplace as reminder; and
- Establishment of the Department Operational Guideline on safety measures for working-at-height and lifting of heavy tools and objects.

There was no incident of non-compliance with the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) during the Reporting Period.

**Occupational Health and Safety Data**

| Year | Fatality number | Fatality rate(1) | Injury rate(2) | Lost days rate(3) | Absentee rate(4) |
|---|---|---|---|---|---|
| **2020** | – | – | **0.0093** | **0.0016** | **0.0215** |
| 2019 | – | – | 0.0126 | 0.0019 | 0.0279 |

*Notes:*

*(1) Fatality rate = Total fatality number/Total number of employees*
*(2) Injury rate = Total staff affected/Total number of employees*
*(3) Lost days rate = Total number of lost days/Total days worked*
*(4) Absentee rate = Total number of absentee days/Total days worked*

## MATERIAL ESG ISSUES (Continued)

### 3. Supply Chain Management

The Group sources from trustworthy suppliers and contractors for quality and sustainable products and services, under well-defined procurement policy. The Group offers equal opportunity to all potential business partners. Supplier selections and procurement decisions would be made based on assessment over certain criteria such as reputation and image of the suppliers, quality and reliability of the products and services, compliance with user requirements and/or specifications, conformance to technical evaluation instituted by requisitioning department, compatibility with/conformance to existing operating systems, service level commitment etc. We encourage suppliers and contractors to take green measures and products that fulfill the 4Rs Rule: “Reduce, Recycle, Reuse and Replace”. The Group also continues to monitor the product and service quality of the suppliers to ensure the suppliers’ compliance with the requirements of the Group.

We source from around the world with over 82% of suppliers and contractors based in Hong Kong to reduce carbon footprint in our supply chain, while supporting the local economy. The number of suppliers from Hong Kong and other countries during the year ended 31 December 2020 were 1,031 and 158 respectively.

### 4. Emissions

The Group recognised the importance of maintaining good environmental protection behavior across the Group by integrating environmental considerations into the business processes of the Group. The Board believes that the Group is responsible for the protection of the environment and adheres to create a sustainable future for the stakeholders as well as the community in which the Group operates by the continuous contributions from our experienced management and employees. To this end, the Group focuses on three main areas which include emissions[1], use of resources, and the environment and natural resources.

#### Air and Greenhouse Gas Emissions

The Group works strategically and collaboratively to identify solutions for reducing greenhouse gas emissions, reducing waste production as well as reducing energy consumption by identifying rooms for improvement. We strictly follow the Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong) and Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong). During the Reporting Period, there was no incident of non-compliance with relevant laws and regulations relating to air and greenhouse gas emissions and waste management that have a significant impact on the business operations of the Group.

The Group promotes the minimisation of greenhouse gas emissions generated by the Group and encourages the environmental care in its working environment. The Group continuously takes the following measures to reduce the air and greenhouse gas emissions:

[1] *The Group did not generate significant sewage discharge during the Reporting Period.*

## MATERIAL ESG ISSUES (Continued)

### 4. Emissions (Continued)

#### Fuel consumption

- reduce the number of vehicles and optimise vehicle utilisation;
- phase out pre-euro IV diesel vehicles;
- regular maintenance to reduce carbon emission;
- get annual vehicle examination for vehicles to ensure compliance with emission standards set by the Environmental Protection Department of Hong Kong;
- provide guidelines on good driving practice; and
- Green driving workshops conducted for our drivers.

#### Air Emissions

| | **2020 (in tonne)** | 2019 (in tonne) |
|---|---|---|
| $NO_x$ emissions | **0.55** | 0.69 |
| $SO_x$ emissions | **0.002** | 0.003 |
| PM emissions | **0.052** | 0.066 |

#### Greenhouse Gas Emissions

| | **2020 (in tonne)** | 2019 (in tonne) |
|---|---|---|
| $CO_2$ emissions — scope 1 *(Note 1)* | **366** | 461 |
| $CO_2$ emissions — scope 2 *(Note 2)* | **7,514** | 8,251 |
| Total | **7,880** | 8,712 |

As compared to 2019, we recorded lower amount of $NO_x$, $SO_x$, PM and greenhouse gas emissions in 2020. Such reduction was mainly due to less frequent use, shorter travel distance and decrease in the number of our vehicles.

*Notes:*

1. *Direct emissions (scope 1) includes greenhouse gas emissions from combustion of fuels in company vehicle fleet. $CO_2$ emissions — scope 1 intensity was approximately 0.28 (tonne/employee) during the Reporting Period (2019: 0.32 (tonne/employee)).*
2. *Energy indirectly emissions (scope 2) includes greenhouse gas emissions from consumption of electricity purchased from power companies. $CO_2$ emissions — scope 2 intensity was approximately 5.85 (tonne/employee) during the Reporting Period (2019: 5.76 (tonne/employee)).*
3. *The calculation of air emissions and greenhouse gas emissions was based on the "Reporting Guidance on Environmental KPIs" issued by the Stock Exchange.*

## MATERIAL ESG ISSUES (Continued)

### 4. Emissions (Continued)

#### Waste Management

The Group has devoted substantial efforts to waste management by minimising solid waste to landfills through waste reducing, waste reusing and waste recycling. One of the essential measurements is through promoting the importance of waste reduction among the employees of the Group through training and education. Going paperless is always our key message passed to the employees of the Group and they are encouraged to use electronic copies for filing purpose and use recycle papers for printing in order to reduce waste. Our efforts to reduce paper usage include implementing paperless e-Leave and e-Payroll systems.

The Group is not aware of any significant generation of hazardous waste and adopted suitable waste handling and reduction measures in accordance with local laws and regulations. The total amount of non-hazardous waste produced during the Reporting Period has reduced to 20 tonnes (2019: 125 tonnes). All non-hazardous wastes generated are collected by the property management of the office buildings and will then be transported to public refuse collection points.

**Types and amount of waste recycled**

| Year | Paper and Paper Product (tonne) | Plastics (Video Tape) (piece) | Cartridge (piece) | Production Equipment, Office Equipment and Computers (piece) | Batteries and Charger Accessories (piece) |
|---|---|---|---|---|---|
| **2020** | **12** | **–** | **415** | **1,246** | **307** |
| 2019 | 42 | 231,440 | 546 | 2,873 | 358 |

There was no incident of non-compliance with relevant environmental laws and regulations that have a significant impact on the business operations of the Group during the Reporting Period.

### 5. Use of Resources

Being a responsible corporation to the environment and the society, the Group focuses on exploring opportunities to minimise the use of energy or natural resources among the Group and with the new technologies and by improving the efficiency of operating procedures that provide the best use of production and office equipment. The management of the Group believes that the efficiency of the use of energy and natural resources can be improved from time to time.

## MATERIAL ESG ISSUES (Continued)

### 5. Use of Resources (Continued)

#### Energy Management

The Group endeavours to make use of energy efficiently and to encourage employees of the Group to use energy smartly. The consumption of energy is monitored regularly and measures were taken to identify any rooms for improvement. Another key focus by the Group on how to minimise the use of resources and how to use wisely is through education and training:

- reduce operation hours of public lighting, escalators and lifts;
- automated switching off air-conditioning and lighting;
- retrofit lighting system using energy efficient T5 fluorescent tubes and LED lights;
- adjust indoor temperature settings;
- purchase energy efficient office equipment with electron energy loss spectroscopy; and
- provide staff with tips for Green office.

#### Water Management

There was no water sourcing issue with the Group as we mainly consume municipal water. The majority of the water consumption of the Group is for water-cooled air conditioning system, basic cleaning and sanitation. The Group promotes the use of water smartly by training and education. The management of the Group continuously monitors the consumption of water and explores ways to further reduce our water consumption. Owing to our ongoing education and efforts, our water consumption for the year ended 2020 has maintained same level as compared to the consumption for the year ended 2019.

**Energy and Resources Consumption**

| | **2020** | 2019 |
|---|---|---|
| Electricity (kilowatt-hour) | **15,028,430** | 16,177,814 |
| Water consumption (cubic meter) | **2,413** | 2,324 |
| Diesel (litre) | **55,483** | 64,410 |
| Unleaded petrol (litre) | **78,257** | 104,131 |
| Electricity intensity (kilowatt-hour/employee) | **11,695** | 11,289 |
| Water consumption intensity (cubic meter/employee) | **2** | 1 |
| Diesel per vehicle (litre/vehicle) | **1,632** | 1,840 |
| Unleaded petrol per vehicle (litre/vehicle) | **2,699** | 2,367 |

*Note: Use of packaging material for finished product is not a material aspect of the business operations of the Group.*

As compared to 2019, we consumed approximately 7% less electricity because we had adopted the use of more energy-saving appliances and more in-house green initiatives such as reduced operation hours of public lighting, escalators and lifts as well as automated switching off air-conditioning and lighting.

With our reduction of the size of the vehicle fleet and fuel consumption initiatives mentioned in section 4 as well as shorter distance travelled, we consumed 14% less diesel and 25% less unleaded petrol in 2020 when compared to the same period in 2019.

## MATERIAL ESG ISSUES (Continued)

### 6. The Environment and Natural Resources

The Group explores the possibility of the usage of clean energy or reusable resources and the opportunities to minimise the use of energy or natural resources in every department in different business operations of the Group. The Group continuously adheres to the principle of minimising the impact on the environment and natural resources. During the Reporting Period, the Group is not aware of any significant impacts of activities arising from the business operations of the Group on the environment and natural resources.

Our Environmental Friendly Programme was implemented in the Group throughout these years to bring the employees together with the management of the Group to contribute to our society. The Group takes great emphasis in the future development of our environment. In order to enhance the awareness of environmental conservation, we encouraged our staff to participate in various environmental programmes. Through the participation in a programme called Earth Hour 2020 which was organised by the Worldwide Fund, we believe our commitment will contribute to the betterment of our community.

### 7. Employment

The Group recognises employees as important assets to us. We are committed to developing a positive and respectable working environment that encourages collaboration between employees and across departments. We strive to attract and retain talents and aim to promote workforce diversity, in terms of age, gender and nationality, as well as a culture of equal opportunity.

The Group has developed the Employee Handbook & Company Policy which has been posted on intranet, governing compensation, dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare in accordance to respective laws and regulations.

The following Hong Kong laws in relation to the Group's employment and labour practices are relevant to the Group:

- Employment Ordinance (Chapter 57 of the Laws of Hong Kong);
- Mandatory Provident Fund Schemes Ordinance ("MPFSO") (Chapter 485 of the Laws of Hong Kong);
- Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong);
- Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong);
- Sex Discrimination Ordinance (Chapter 480 of the Laws of Hong Kong);
- Disability Discrimination Ordinance (Chapter 487 of the Laws of Hong Kong);
- Family Status Discrimination Ordinance (Chapter 527 of the Laws of Hong Kong);
- Race Discrimination Ordinance (Chapter 602 of the Laws of Hong Kong); and
- Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Working hours, leaves, remuneration and other employment practices are reviewed regularly to ensure the compliance with latest labour laws and regulations.

There was no incident of non-compliance with employment laws and regulations during the Reporting Period.

## MATERIAL ESG ISSUES (Continued)

### 7. Employment (Continued)

Employee Statistics

The majority of our employees in both fiscal years 2019 and 2020 were employed and worked in Hong Kong.

**Total Workforce**

| | All types of employee | | | Employment Types | | | |
|---|---|---|---|---|---|---|---|
| | | | | Permanent contract | | Temporary contract | |
| Year | Male | Female | Total | Male | Female | Male | Female |
| **2020** | **847** | **438** | **1,285** | **843** | **428** | **4** | **10** |
| 2019 | 964 | 469 | 1,433 | 959 | 461 | 5 | 8 |

**New Hires and Employee Turnover**

| | Year | Below 30 | | 30–50 | | Above 50 | | Total | Rate |
|---|---|---|---|---|---|---|---|---|---|
| | | Male | Female | Male | Female | Male | Female | | |
| New Hires | **2020** | **69** | **56** | **86** | **51** | **29** | **5** | **296** | **0.230**(1) |
| | 2019 | 109 | 89 | 117 | 50 | 24 | 3 | 392 | 0.274(1) |
| Employee Turnover | **2020** | **81** | **56** | **138** | **73** | **82** | **14** | **444** | **0.346**(2) |
| | 2019 | 135 | 73 | 245 | 102 | 83 | 35 | 673 | 0.470(2) |

*Notes:*

(1) *New hire rate = Total number of new hires/Total number of employees*

(2) *Turnover rate = Total number of employee turnover/Total number of employees*

### 8. Employee Development and Training

The Group acknowledges the importance of training for professional development of our employees. We place adequate and appropriate resources on training and staff development opportunities. The Company encourages vocational education and training activities by providing tuition subsidies and full funding training programmes.

During the Reporting Period, the Company conducted around 49 corporate training events (2019: 54 corporate training events) involving 1,410 participants (2019: 2,060 participants) with a total of 36,211 training hours (2019: 47,241 training hours) to enhance working knowledge, safety compliance, service quality as well as compliance of anti-corruption.

Employee Training and Development Data

**Average hours of training**

| | By gender | | By employment category | | | |
|---|---|---|---|---|---|---|
| Year | Male (hour) | Female (hour) | Management Staff (hour) | Senior Staff (hour) | General Staff (hour) | Total (hour) |
| **2020** | **31.2** | **22.4** | **16.1** | **9.8** | **33.5** | **28.2** |
| 2019 | 35.3 | 28.2 | 8.6 | 11.1 | 40.5 | 33.0 |

## MATERIAL ESG ISSUES (Continued)

### 9. Prevention of child and forced labour

The Employment and Compensation & Benefits Policies were established to meet or exceed the requirements of the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) and the MPFSO. The Group has adopted the following measures to prevent recruitment of child and forced labour:

- Except for child entertainers and summer interns, the Group shall hold against hiring any candidate who is under 18 years old;
- For child entertainers, the Group renews permission to employ child entertainers yearly from the Labour Department; and
- For summer interns, strict collection of sworn declaration forms and school endorsement are required to prevent child labour.

The Group has received the “Good MPF Employer Award 5 Years”, “e-Contribution Award” and “MPF Support Award” in 2020/21 from The Mandatory Provident Fund Schemes Authority for our full compliance with employers’ statutory obligations and provision of better retirement for employees.

There was no incident of non-compliance with relevant laws and regulations relating to labour standards during the Reporting Period.

### 10. Anti-corruption

The Group prohibits bribery and corruption practices. We have established the Employee Handbook and the Company Policy posted on intranet web link regarding standard code of ethics, which states the prevention of bribery, gambling, collections and insider dealing, as well as the policy on reporting potential non-compliance and conflict of interest.

Under the Group’s Code of Conduct, all staff are required to abide by the laws on anti-corruption, such as the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong). During the Reporting Period, the Group provided training or training materials to the Directors and the employees of the Company.

There was no incident of non-compliance with anti-corruption laws and regulations during the Reporting Period.

#### Whistle Blowing

Staff is obliged to report alleged material non-compliance to the Company, which will be investigated.

## MATERIAL ESG ISSUES (Continued)

### 11. Community

#### Community Investment

The Group attaches great importance to staff participation in community activities, by motivating and encouraging colleagues to extend a helping hand to the elderly, children and youths as well as families in need of social support.

*Volunteer Services*

Established in 2003, our staff volunteering team continues to grow. Leading charitable organisations that we worked with The Community Chest. Activities and events included but not limited to Skip Lunch Day, Dress Casual Day and Love Teeth Day.

*Community Support*

The Group offers support to our community since we are concerned about its development. For example, we took part in the Earth Hour 2020 organised by WWF Hong Kong.

*Community Engagement*

The Group is dedicated to producing quality programmes which enhance the connection with local communities and inspire people to care for the society. We hope to bring positive energy to Hong Kong and raise public awareness for the minority groups and people in need. The programmes present to viewers with the genuine life of the living of the disadvantaged and minority groups in Hong Kong as well as the challenges they are facing, hoping to encourage the public to show more understanding and care to those in need.

## (A) REVIEW OF 2020 RESULTS

Revenue of the Group for the year ended 31 December 2020 decreased by approximately HK$92 million or 8% to approximately HK$1,069 million (2019: HK$1,161 million).

Cost of services of the Group for the year ended 31 December 2020, including programming costs, network expenses and cost of sales, decreased by approximately HK$172 million to approximately HK$1,012 million (2019: HK$1,184 million). Programming costs and network expenses decreased by approximately 20% and 8% respectively, while cost of sales increased by approximately 1% as compared to the year ended 31 December 2019. Selling, general and administrative and other operating expenses of the Group decreased by approximately 15% as compared to the year ended 31 December 2019.

Loss from operations of the Group for the year ended 31 December 2020 was approximately HK$234 million, representing an improvement in loss from operations of approximately 36%, as compared with the loss from operations of approximately HK$364 million for the year ended 31 December 2019.

During the year ended 31 December 2020, the Group has redeemed the money market funds and recognised a gain on disposal of the financial assets at fair value through profit and loss of approximately HK$0.3 million (2019: HK$Nil). Each of the investment is less than 5% of the total assets of the Group as at the date of redemption.

Finance costs of the Group for the year ended 31 December 2020 increased by approximately HK$3 million or 8% to approximately HK$41 million (2019: HK$38 million), of which approximately HK$28 million (2019: HK$15 million) was interest expenses on unlisted long-term convertible bonds issued in June 2019 (the "2019 LCS").

After the recognition of interest income, finance costs, non-operating income and income tax, the Group recorded a net loss of approximately HK$275 million for the year ended 31 December 2020 (2019: HK$397 million). Basic and diluted loss per share for the year ended 31 December 2020 was approximately HK3.9 cents (2019: HK5.9 cents).

## (B) SEGMENTAL INFORMATION

The principal activities of the Group include media and telecommunications operations.

### Media

The media segment includes operations related to the television subscription business, domestic free television programme service, advertising, channel carriage, television relay service, programme licensing, theatrical release and other related businesses.

Revenue derived from the media segment for the year ended 31 December 2020 decreased by approximately 13% to approximately HK$656 million (2019: HK$752 million) on lower subscription revenue.

Operating expenses before depreciation and amortisation of other intangible assets incurred by the media segment for the year ended 31 December 2020 decreased by approximately 19% to approximately HK$781 million (2019: HK$961 million). As referred to the section headed "Segment Information" in Note 7 to the consolidated financial statements in this annual report, media segment loss before depreciation and amortisation of other intangible assets for the year ended 31 December 2020 decreased to approximately HK$125 million (2019: HK$209 million) mainly due to net effect of the decrease in programming costs and the decrease in revenue.

## (B) SEGMENTAL INFORMATION (Continued)

### Telecommunications

The telecommunications segment includes operations related to broadband internet access services, portal operation, mobile content licensing, telephony services, network leasing, network construction, mobile service and mobile agency service as well as other related businesses.

Revenue derived from the telecommunications segment for the year ended 31 December 2020 increased by approximately HK$4 million to approximately HK$413 million (2019: HK$409 million).

Operating expenses before depreciation and amortisation of other intangible assets incurred by the telecommunications segment for the year ended 31 December 2020 decreased by approximately 2% to approximately HK$240 million (2019: HK$244 million). As referred to the section headed “Segment Information” in Note 7 to the consolidated financial statements in this annual report, telecommunications segment profit before depreciation and amortisation of other intangible assets for the year ended 31 December 2020 increased by approximately 4% to approximately HK$172 million (2019: HK$165 million).

## (C) LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2020, the Group had cash and bank balances and restricted bank balances of approximately HK$157 million and HK$11 million respectively as compared to approximately HK$242 million and HK$18 million respectively as at 31 December 2019. The cash and bank balances and restricted bank balances of the Group as at 31 December 2020 and 2019 are mainly denominated in Hong Kong Dollar (“HK$”). The net gearing ratio, measured in terms of the total interest-bearing borrowings and convertible bonds less cash and bank balances and restricted bank balances divided by total equity, was approximately 136% (31 December 2019: 68%). The capital structure of the Group was approximately 65% debt and approximately 35% equity as at 31 December 2020, representing an increase of approximately 13% and a decrease of approximately 13% respectively as compared with approximately 52% debt and approximately 48% equity as at 31 December 2019.

Consolidated net asset value of the Group as at 31 December 2020 was approximately HK$365 million, representing a decrease of approximately 43%, as compared with consolidated net asset value of the Group as at 31 December 2019 of approximately HK$640 million.

The carrying amount of interest-bearing borrowings denominated in HK$ as at 31 December 2020 was HK$295 million (31 December 2019: HK$345 million), which carried interest at variable rates and was repayable on demand. The committed borrowing facilities available to the Group but not drawn as at 31 December 2020 amounted to HK$105 million (31 December 2019: HK$55 million).

## (C) LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE (Continued)

On 4 June 2019, the rights issue on the basis of three (3) new ordinary shares of the Company (the "Rights Shares") for every four (4) existing shares of the Company (the "Shares") then held at the subscription price of HK$0.1 per Rights Share (the "Rights Issue") was completed and 928,603,364 Rights Shares have been allotted and issued by the Company to the shareholders of the Company (the "Shareholders") who accepted and validly applied paid for the Rights Shares. The net proceeds raised from the Rights Issue amounted to approximately HK$84.5 million. Besides, on 4 June 2019, the issuance of the 2019 LCS with the principal amount of HK$568 million by the Company to the Controlling Shareholder was completed. The 2019 LCS would be convertible into 4,544,000,000 new Shares upon full conversion of the 2019 LCS based on the initial conversion price of HK$0.125 per conversion share and the coupon rate of the 2019 LCS is 2.0% per annum and payable quarterly. During the year ended 31 December 2020, there had not been any conversion of the 2019 LCS. Details of the Rights Issue were set out in the announcements of the Company dated 25 January 2019, 27 May 2019, 31 May 2019 and 4 June 2019, the circular of the Company dated 8 April 2019 (the "Circular") and the prospectus of the Company dated 9 May 2019 (the "Prospectus"). Details of the 2019 LCS were set out in the announcements of the Company dated 25 January 2019 and 4 June 2019 and the Circular.

The purposes for the Rights Issue and issuance of the 2019 LCS are to improve the liquidity of the Group, strengthen the Group's capital base, provide additional funding for the Group's capital expenditure, meet the cash flow needs of the Group and provide additional funding to fulfill the investment requirements under the regulatory licences.

The carrying amount of the 2019 LCS denominated in HK$ as at 31 December 2020 was approximately HK$369 million (31 December 2019: HK$353 million). Details of the 2019 LCS were set out in the section headed "Convertible Bonds" in Note 25 to the consolidated financial statements in this annual report.

## (C) LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE (Continued)

The following table sets forth the information in relation to the use of the net proceeds raised from the Rights Issue and issuance of the 2019 LCS:

| Intended use of net proceeds raised from the Rights Issue and the issuance of the 2019 LCS as disclosed in the Circular and the Prospectus | Actual use of net proceeds up to 31 December 2019 as originally intended | Actual use of net proceeds during the the year ended 31 December 2020 as originally intended | Unutilised net proceeds raised from the Rights Issue and the issuance of the 2019 LCS as at 31 December 2020 |
|---|---|---|---|
| Approximately HK$652 million comprising: | Approximately HK$410 million | Approximately HK$242 million | HK$Nil |
| (i) Approximately HK$140 million for investments in capital expenditure including: | (i) Approximately HK$81 million; | (i) Approximately HK$59 million; | (i) HK$Nil; |
| (i)(a) approximately HK$41 million for the enhancement of network infrastructure; | (i)(a) approximately HK$29 million; | (i)(a) approximately HK$12 million; | |
| (i)(b) approximately HK$20 million for the upgrade of broadcasting equipment; | (i)(b) approximately HK$2 million; | (i)(b) approximately HK$18 million; | |
| (i)(c) approximately HK$36 million for the upgrade of converters and modems; | (i)(c) approximately HK$10 million; | (i)(c) approximately HK$26 million; | |
| (i)(d) approximately HK$43 million for capital expenditure in leasehold improvement, furniture and fixture and office equipment; | (i)(d) approximately HK$40 million; | (i)(d) approximately HK$3 million; | |

## (C) LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE (Continued)

| Intended use of net proceeds raised from the Rights Issue and the issuance of the 2019 LCS as disclosed in the Circular and the Prospectus | Actual use of net proceeds up to 31 December 2019 as originally intended | Actual use of net proceeds during the the year ended 31 December 2020 as originally intended | Unutilised net proceeds raised from the Rights Issue and the issuance of the 2019 LCS as at 31 December 2020 |
|---|---|---|---|
| (ii) Approximately HK$350 million for acquisition of programmes and programme production including: | (ii) Approximately HK$229 million; | (ii) Approximately HK$121 million; | (ii) HK$Nil; and |
| (ii)(a) approximately HK$161 million for the funding requirement of acquired channels; | (ii)(a) approximately HK$128 million; | (ii)(a) approximately HK$33 million; | |
| (ii)(b) approximately HK$100 million for the funding requirement of live programmes, movies and dramas and other entertainment programmes; | (ii)(b) approximately HK$33 million; | (ii)(b) approximately HK$67 million; | |
| (ii)(c) approximately HK$89 million for the funding requirement of self-produced programmes; and | (ii)(c) approximately HK$68 million; and | (ii)(c) approximately HK$21 million; and | |
| (iii) Approximately HK$162 million for general working capital including but not limited to salaries and benefits, rental and utilities, government/music licence fees, other general and administrative expenses | (iii) Approximately HK$100 million | (iii) Approximately HK$62 million | (iii) HK$Nil |

The net proceeds raised from the Rights Issue and the issuance of the 2019 LCS that have been utilised and have been utilised according to the intended use of proceeds as disclosed in the Circular and the Prospectus.

## (C) LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE (Continued)

The Group takes a centralised approach to the Group's funding and treasury management as well as optimisation of the funding cost-efficiency. The management (i) maintains a balanced debt and capital financing structure; (ii) ensures secure and optimum return on the investment of surplus funds within an agreed risk profile; (iii) oversees the treasury related financial risks, including but not limited to interest rate risk, currency risk, liquidity risk and credit risk; (iv) strives to diversify source of funding and maintain a balanced maturity profile; and (v) maintains an appropriate control environment to protect the financial return under the fluidity financial market conditions.

The Group's assets and liabilities are mainly denominated in HK$ and United States Dollars ("US$") and it earns its revenue and incurs costs and expenses mainly in HK$ and US$. As HK$ is pegged to US$, the Group does not expect any significant foreign currency exposure arising from the fluctuation of the US$/HK$ or HK$/US$ exchange rates.

During the year ended 31 December 2020, capital expenditure on property, plant and equipment amounted to approximately HK$100 million (2019: HK$133 million), the additions to right-of-use assets were approximately HK$26 million (2019: upon the adoption of Hong Kong Financial Reporting Standard 16 "Leases" ("HKFRS 16"), the Group recognised right-of-use assets amounted to approximately HK$199 million as at 1 January 2019 and the additions to right-of-use assets during the year ended 31 December 2019 amounted to approximately HK$3 million), the additions to programming library were approximately HK$43 million (2019: HK$37 million) and the additions to other intangible assets were approximately HK$1 million (2019: HK$20 million).

The Group financed its operations generally with internally generated cash flows, the available credit facilities and the net proceeds raised from the Rights Issue and the issuance of the 2019 LCS.

## (D) CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any contingent liabilities.

## (E) GUARANTEES

As at 31 December 2020, a corporate guarantee had been provided by the Company to a bank of HK$400 million (31 December 2019: HK$400 million) in respect of the facility of borrowing up to HK$400 million (31 December 2019: HK$400 million) to a wholly-owned subsidiary of the Company, of which HK$295 million (31 December 2019: HK$345 million) was utilised by the subsidiary of the Company.

As at 31 December 2020, the Group had made an arrangement with a bank to provide a performance bond to a counterparty amounting to approximately HK$34 million (31 December 2019: two separate performance bonds were provided to counterparties amounting to approximately HK$36 million), of which approximately HK$4 million (31 December 2019: HK$6 million) was secured by bank deposits. The performance bond is to guarantee in favour of the counterparty the Group's performance in fulfilling the obligations under a contract.

## (F) HUMAN RESOURCES

The Group had 1,272 employees as at 31 December 2020 (31 December 2019: 1,420). Total gross salaries and related costs before capitalisation and incurred for the year ended 31 December 2020 amounted to approximately HK$403 million (31 December 2019: HK$529 million). The remuneration of the Directors and the employees of the Group is determined with reference to their qualifications, experience, duties and responsibilities with the Group, as well as the Group's performance and the prevailing market conditions. Besides, the Group regularly provides training courses for the employees of the Group to meet their needs. Under the share option scheme of the Company adopted on 24 May 2018 (the "Share Option Scheme"), share options of the Company (the "Share Options") may be granted to the Directors and eligible employees of the Group to subscribe for Shares.

## (G) OPERATING ENVIRONMENT

In view of the intensifying competition from OTT platforms and digital media, the Group's revenue for the year ended 31 December 2020 was mainly affected by the decline of subscription revenue.

Keen business competition in the market has continued to contract the subscription customer base of Pay TV service and the subscription ARPU was affected, while the advertising revenue remained stable during the period under review.

For broadband service, despite a saturated market with price war triggered by the incumbents, we are glad to see an increase of approximately 13% in the ending subscriber base to approximately 197,000 as at 31 December 2020 as compared with approximately 175,000 as at 31 December 2019. This improvement was mainly due to the upgrade of our network to provide high speed GPON services, and further enhancement in churn management.

## (H) CHARGE ON GROUP ASSETS

As at 31 December 2020, restricted bank balances of approximately HK$11 million (31 December 2019: HK$18 million) were made by the Group to secure certain banking facilities granted to the Group.

## (I) MATERIAL ACQUISITIONS AND DISPOSALS AND SIGNIFICANT INVESTMENTS

There was no material acquisition or disposal of subsidiaries, associated companies and joint ventures or significant investments of the Group, which would have been required to be disclosed under the Listing Rules, during the year ended 31 December 2020.

## (J) FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group will continue to invest in property, plant and equipment and programming library as required by its business operations, and explore the market and identify any business opportunities which will be beneficial to its growth and development, enhance its profitability, and strive for better return to the Shareholders.

The Group's ongoing capital expenditure will be funded by internal cash flows generated from operations, the available credit facilities, and the net proceeds from the issuance of the unlisted long-term convertible bonds in the principal amount of HK$200 million (the "2021 LCS") as disclosed in the announcement of the Company dated 27 January 2021 and the circular of the Company dated 2 March 2021. The subscription agreement entered on 27 January 2021 between the Company and Forever Top (the "2021 LCS Subscription Agreement") and the transactions contemplated thereunder were approved by the independent Shareholders at the general meeting of the Company on 23 March 2021.

## (K) OUTLOOK

Since Forever Top became the controlling shareholder of the Company as a result of being the underwriter of the open offer completed in September 2017, the Group has been focusing on formulating an organisational restructuring which included, among other things, (i) cost-saving initiative; (ii) introduction of new contents and channels; (iii) new television content co-operation models; and (iv) strategic review on possible restructuring of the Group's business portfolio to achieve cost saving and improve profitability, and on the financial performance of the Group.

In addition, the Group launched its integrated Cantonese channel under the domestic free television programme service licence in May 2017 and rebranded Cantonese free television channel to be "Hong Kong Open TV" in year 2018. The Group has expanded its operation to include an English news desk and Putonghua finance desk, to support the newly established Hong Kong International Business Channel, a 24-hour English free television channel in Hong Kong, on Channel 76 in July 2018 and focuses on providing financial news and information with programmes in both English and Putonghua. In June 2020, i-CABLE introduced enhanced version of its mobile application, i-CABLE Mobile, by adding two free television channels — Hong Kong Open TV and Hong Kong International Business Channel. The enhanced and versatile network offers the consumers a brand new experience of enjoyment and convenience of multimedia platform viewership. The above measures could strengthen the overall competitiveness of the Group.

The Group entered into the network development agreement in relation to a strategic collaboration with CMHK in telecommunications and value-added media-related services. The cross-platform collaboration would dynamically integrate strengths and creativity of the two companies, develop higher-quality, diversify telecommunications services, and strengthen sales channels. The two companies will continue to work together to take the development of the local telecommunications and media market to a new level. The partnership with CMHK represents a significant step forward in the future development of the Group.

In year 2021, with expectation of booming market demands and opportunities for data centre business, the Group will continue to extend the service coverage to major data centres and commercial buildings in Hong Kong, enhancing peer-to-peer connections with major data centre, international carriers and global internet service providers. The Group will continue to explore collaboration with strategic telecom partners to enhance network coverage and provide IP Transit service for enterprises, one stop enterprises solution and data centre connectivity business. Priority emphasise are given to the B2B business sector in the future.

With respect to the telecommunications segment, the Group provides its broadband internet access services through the backbone of the Group's territory-wide television broadcasting infrastructure and launched the mobile communications service, iMobile. In order to improve business competitiveness, it is essential for the Group to continue investing in network and to actively seek collaborative opportunities with leading technology and communication providers to deliver quality services and solutions to its customers, and develop new revenue streams in the 5G era.

## (K) OUTLOOK (Continued)

The media segment of the Group is experiencing intense competition in a crowded marketplace with a super dominant operator. The proliferation of online contents — many of those free of charge — offer abundance of choices to users, changing their viewing behavior and posting extra threat to the Group's TV subscription business. At the same time, the increasingly keen competition for exclusive contents has raised acquisition costs. Pressure on subscription and viewership persists as competition is expected to remain keen, thus the business remains challenging. i-CABLE News OTT App focusing on news and finance was launched in year 2019 to expand channel reach to viewers, while enhancing cross-platform synergy as well as business opportunity. On top of the contents produced for TV network broadcasting, the Group has also invested in creative contents customised for OTT platforms, as being aware that exclusive programmes are vastly important to the network. The Group has also produced a vast variety of new lifestyle content in year 2020 and will launch on the Group's digital platform in year 2021.

Meanwhile, the Greater Bay Area ("GBA") is posting a significant opportunity for the Group to shape and expand the business development by collaborating with major media and operators within the region. The partnership with GuangDong Radio and Television and the establishment of Greater Bay Area News Centre serve as the initial attempts to tap into the market and businesses in relation to the region. The Group will continue to leverage its competitive advantages, while at the same time embrace the mutually beneficial commercial potential of greater collaboration within the GBA.

As the COVID-19 situation remained severe throughout the year 2020 and has disrupted Hong Kong's economy, a series of precautionary and control measures have been and will continue to be implemented in Hong Kong. The Group has implemented preventive measures in response to COVID-19, including but not limited to, quarantine arrangement, flexible working hours and work from home arrangement, promoting personal hygiene and keeping safe social distance, reinforcing the telemarketing operations to promote contactless marketing strategy, to minimise the disruption of business operations. The Group has also reviewed the cash flow forecast for the next twelve months from the date of the year ended 31 December 2020, taking into account the fund raising exercise of the 2021 LCS announced on 27 January 2021 and the 2021 LCS Subscription Agreement and the transactions contemplated thereunder were approved by the independent Shareholders at the general meeting of the Company on 23 March 2021, the credit facilities currently available and the internal generated cash flows, the Group would have sufficient funds to satisfy its working capital and capital expenditure requirements. The Group will pay close attention to the development of COVID-19 and its impact to the Group and take proactive measures as appropriate.

The Group will continue to explore new opportunities in the market and exercise prudence to invest in programming library, contents enrichment, new media development, customer service improvement, higher speed broadband service upgrades, as well as marketing and media initiatives to sharpen the competitiveness of the Group. The Group is also well prepared to capitalise on the opportunity brought by the upcoming 5G mobile communication network and the emerging market in the GBA.

## (L) EVENTS AFTER THE REPORTING PERIOD

Save as disclosed below, the Group does not have any material events affecting the Group's financial performance and/or financial position significantly that have occurred since the end of the financial year ended 31 December 2020.

On 27 January 2021, the Company and the Controlling Shareholder entered into the 2021 LCS Subscription Agreement. Pursuant to the 2021 LCS Subscription Agreement, the Company has conditionally agreed to issue, and the Controlling Shareholder has conditionally agreed to subscribe for, the 2021 LCS as detailed in the announcement of the Company dated 27 January 2021 and the circular of the Company dated 2 March 2021. The 2021 LCS Subscription Agreement and the transactions contemplated thereunder were approved by the independent Shareholders at the general meeting of the Company on 23 March 2021.

## (M) COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2020, there was no incidence of non-compliance with the relevant laws and regulations of the place in which the Group operates that has a significant impact on the business operations of the Group.

## (A) CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance practices, and procedures and to complying with the statutory and regulatory requirements with an aim to maximising the Shareholders' values and interests as well as enhancing the stakeholders' transparency and accountability. During the year ended 31 December 2020, the Company had complied with all applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules, with the exception of the deviation as set out under section (C) below.

## (B) MODEL CODE FOR 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 to the Listing Rules. The Company, having made specific enquiries of all the Directors, was not aware of any non-compliance with the required standard set out in the Model Code during the year ended 31 December 2020.

The Company has also applied the principles of the Model Code for securities transactions to the employees of the Group.

## (C) BOARD OF DIRECTORS

The Board is responsible for the leadership and management of the Group as well as promoting the success of the Group with the objective of acting for the best of the interests of the Group and the Shareholders as a whole by directing and supervising its affairs in a responsible and effective manner. The key responsibilities of the Board include formulation of the overall strategies of the Group, monitoring the performance of the management, and ensuring the duties delegated to respective board committees of the Company are effectively performed.

### I. Composition of the Board

As at the date of this annual report, the Board comprises eleven Directors, of whom one is an executive Director, six are non-executive Directors and four are independent non-executive Directors. The composition of the Board is set out below:

**Non-executive Directors**
Tan Sri Dato' David CHIU *(Chairman)*
Dr. CHENG Kar-Shun, Henry *(Vice-chairman)*
Mr. TSANG On Yip, Patrick
Mr. HOONG Cheong Thard
Mr. LIE KEN JIE Remy Anthony Ket Heng
Ms. NG Yuk Mui Jessica

**Executive Director**
Mr. Andrew Wah Wai CHIU

**Independent Non-executive Directors**
Mr. LAM Kin-Fung, Jeffrey
Dr. HU Shao Ming Herman
Mr. LUK Koon Hoo, Roger
Mr. TANG Sing Ming Sherman

## (C) BOARD OF DIRECTORS (Continued)

### I. Composition of the Board (Continued)

Biographical information of the Directors and the relationship among the members of the Board are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 70 to 76 of this annual report. Each Director has been appointed on the strength of his/her calibre, experience and stature, and his/her potential to contribute to the proper guidance of the Group and its businesses.

The Company has received from each of the independent non-executive Directors a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that all the independent non-executive Directors are independent.

### II. Operation of the Board

The Company is headed by an effective Board which makes decisions objectively in the interests of the Company. The management of the Group (the "Senior 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. The Company has also provided accurate, clear, complete and reliable information in a timely manner to the Directors to enable them to make an informed decision and to discharge their duties and responsibilities as the Directors.

There is a clear division of responsibilities between the Board and the Senior Management. Decisions on important matters are specifically reserved to the Board while decisions on the Group's general operations are delegated to the Senior 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.

If a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter should be dealt with by a physical Board meeting rather than a written resolution. Independent non-executive Directors who, and whose close associates (as defined under the Listing Rules), have no material interest in the transaction should be present at that Board meeting.

## (C) BOARD OF DIRECTORS (Continued)

### III. Number of Board/general meetings and Directors' attendance

The Board has a balance of skills and experience and a balanced composition of executive and non-executive Directors with diversity of skills and experience appropriate to the requirements of the Group's business. Four Board meetings of the Company were held during the financial year ended 31 December 2020. Notice of not less than 14 days was given to all the Directors for the regular Board meetings and the Directors were given an opportunity to include matters in the agenda for the regular Board meetings. The attendance records of the Directors are set out below:

| | Attendance/Number of Meeting(s) | |
|---|---|---|
| Directors | Board Meetings | Annual General Meeting |
| **Non-executive Directors** | | |
| Tan Sri Dato' David CHIU | 4/4 | 1/1 |
| Dr. CHENG Kar-Shun, Henry | 3/4 | 0/1 |
| Mr. TSANG On Yip, Patrick | 4/4 | 1/1 |
| Mr. HOONG Cheong Thard | 4/4 | 1/1 |
| Mr. LIE KEN JIE Remy Anthony Ket Heng | 4/4 | 1/1 |
| Ms. NG Yuk Mui Jessica | 4/4 | 0/1 |
| **Executive Director** | | |
| Mr. Andrew Wah Wai CHIU | 4/4 | 1/1 |
| **Independent non-executive Directors** | | |
| Mr. LAM Kin-Fung, Jeffrey | 4/4 | 0/1 |
| Dr. HU Shao Ming Herman | 4/4 | 1/1 |
| Mr. LUK Koon Hoo, Roger | 4/4 | 1/1 |
| Mr. TANG Sing Ming Sherman | 4/4 | 1/1 |

## (C) BOARD OF DIRECTORS (Continued)

### III. Number of Board/general meetings and Directors' attendance (Continued)

The external auditor attended the annual general meeting of the Company on 18 June 2020 (the "AGM") to answer questions about the conduct of the audit, the preparation and content of the independent auditor's report, the accounting policies and auditor independence and the Chairman also held a meeting with the independent non-executive Directors without the presence of other Directors during the year.

The Directors are subject to retirement by rotation at least once every three years in accordance with the Articles of Association of the Company (the "Articles") and the Listing Rules. The non-executive Directors are subject to the aforesaid retirement requirements and are appointed for a specific term, subject to re-election. The term of appointment of non-executive Directors are contained under the section headed "Report of the Directors" on pages 58 to 60 of this annual report. The retiring Directors shall be eligible for re-election at the annual general meeting of the Company. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting.

Each of Tan Sri Dato' David Chiu, Dr. Cheng Kar-Shun, Henry, Mr. Tsang On Yip, Patrick and Mr. Hoong Cheong Thard (who were appointed as non-executive Directors with effect from 15 September 2017), Mr. Lie Ken Jie Remy Anthony Ket Heng and Ms. Ng Yuk Mui Jessica (who were appointed as non-executive Directors with effect from 2 July 2019), Mr. Andrew Wah Wai Chiu (who was appointed as an executive Director with effect from 15 September 2017) and Mr. Lam Kin-Fung, Jeffrey (who was appointed as an independent non-executive Director with effect from 15 September 2017) signed a letter of appointment with the Company for an initial term of three years and renewable automatically for successive terms of three years upon expiry of the then current term of the appointment, unless terminated in accordance with the terms of his/her letter of appointment. They are also subject to retirement by rotation and re-election in accordance with the Articles and the Listing Rules.

Code Provision A.6.7 of the Corporate Governance Code stipulates that independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. Generally, they should also attend general meetings to gain and develop a balanced understanding of the views of shareholders.

Dr. Cheng Kar-Shun, Henry (the vice-chairman of the Board and a non-executive Director) and Mr. Lam Kin-Fung, Jeffrey (an independent non-executive Director, the chairman of the compensation committee of the Company (the "CC") and a member of the nomination committee of the Company (the "NC")) were unable to attend the AGM as they had other engagements at the time of such meeting. Ms. Ng Yuk Mui Jessica (a non-executive Director) was unable to attend the AGM because she was unwell on that day.

## (C) BOARD OF DIRECTORS (Continued)

### IV. Director's Induction and Continuous Professional Development

Newly appointed Directors are provided with induction training. Each of them shall receive the information on the duties and responsibilities of directors under statutory regulations and the Listing Rules, and other information on corporate governance matters. The newly appointed Directors shall meet the fellow Directors and the Senior Management to ensure they have an understanding on the Group's operations and business. They shall also receive materials relating to the operations and business of the Group.

The Company has arranged for Directors to attend training sessions and forums which place emphasis on the roles, functions and duties of a listed company director, as well as the development of regulatory updates and issues. The Company also provided the Directors the latest development of the Listing Rules, and the relevant laws, rules and regulations relating to the Director's duties and responsibilities. All Directors have provided their training records to the Company for the financial year ended 31 December 2020 and the training records are maintained by the company secretary of the Company (the "Company Secretary").

According to the records of training maintained by the Company, all the current Directors have, during the financial year under review, pursued continuous professional development and relevant details are set out below:

| | Type of continuous professional development | |
|---|---|---|
| Directors | Reading journals, updates and articles and/or materials, etc. | Attending seminars and/or conferences and/or forums and/or E-training |
| **Non-executive Directors** | | |
| Tan Sri Dato' David CHIU | √ | √ |
| Dr. CHENG Kar-Shun, Henry | √ | √ |
| Mr. TSANG On Yip, Patrick | √ | √ |
| Mr. HOONG Cheong Thard | √ | √ |
| Mr. LIE KEN JIE Remy Anthony Ket Heng | √ | √ |
| Ms. NG Yuk Mui Jessica | √ | √ |
| **Executive Director** | | |
| Mr. Andrew Wah Wai CHIU | √ | √ |
| **Independent non-executive Directors** | | |
| Mr. LAM Kin-Fung, Jeffrey | √ | √ |
| Dr. HU Shao Ming Herman | √ | √ |
| Mr. LUK Koon Hoo, Roger | √ | √ |
| Mr. TANG Sing Ming Sherman | √ | √ |

## (D) CHAIRMAN AND CHIEF EXECUTIVE

Tan Sri Dato' David Chiu was appointed as the Chairman with effect from 15 September 2017 and the Company does not have any chief executive officer since then. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high-calibre individuals.

## (E) APPOINTMENT AND RE-ELECTION OF DIRECTORS

Under the Articles and the Listing Rules, all Directors are subject to retirement at an annual general meeting of the Company at least once every three years and are subject to re-election. The Board may from time to time appoint a Director either to fill a casual vacancy or as an addition to the Board. Any such new Director shall hold office until the next following general meeting of the Company and shall then be eligible for re-election at the same general meeting.

The re-election of each of the independent non-executive Directors who has served on the Board for more than nine years is subject to (i) a separate resolution to be approved by Shareholders at the relevant annual general meeting of the Company; and (ii) further information being given to the Shareholders together with the notice of meeting regarding the reasons why the Board believes the relevant Director is still independent and should be re-elected.

Mr. Luk Koon Hoo, Roger has served as an independent non-executive Director since September 2010 for more than 10 years and he is subject to retirement and re-election at the forthcoming annual general meeting of the Company. During his tenure, Mr. Luk has demonstrated his ability to provide an independent view to the Company's matters. Notwithstanding his years of service as an independent non-executive Director, the Board and the NC are of the view that Mr. Luk has wide experience in accounting and finance management, which put him in a strong position of giving invaluable insight to the Group's business development and finance management. Besides, Mr. Luk is equipped with integrity, skills and experience to continue fulfilling the role of an independent non-executive Director. Mr. Luk's long service on the Board would not affect him from bringing fresh perspectives and exercising independent judgement and thus the Board recommends him for re-election at the forthcoming annual general meeting of the Company. The re-election of Mr. Luk at the forthcoming annual general meeting of the Company shall be subject to a separate resolution to be approved by the Shareholders and the documents to the Shareholders accompanying that resolution will include the reasons the Board believes he is still independent and should be re-elected. Mr. Luk has made a written annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules.

Mr. Lam Kin-Fung, Jeffrey has served as an independent non-executive Director and he is subject to retirement and re-election at the forthcoming annual general meeting of the Company. He holds directorships in more than seven listed companies (including the Company). Notwithstanding this, since his appointment, Mr. Lam has attended most of the Board and Board committee meetings where his attendance was required, and has made valuable contributions to the Board with his experience in different fields. Moreover, Mr. Lam's directorships in the other listed companies are non-executive in nature. On this basis, the Board and the NC believes that Mr. Lam will be able to continue to devote sufficient time to the Board and Board committee, and recommends his re-election as an independent non-executive Director at the forthcoming annual general meeting of the Company. Mr. Lam has made a written annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules.

Appropriate liability insurance for the Directors has been arranged for indemnifying their liabilities arising out of corporate activities.

## (F) BOARD COMMITTEES

### (I) Audit Committee

The Company has set up the audit committee of the Company (the "AC") with majority of the members being independent non-executive Directors. As at the date of this annual report, the AC comprises Mr. Luk Koon Hoo, Roger (an independent non-executive Director and the chairman of the AC), Mr. Hoong Cheong Thard (a non-executive Director) and Mr. Tang Sing Ming Sherman (an independent non-executive Director).

No member of the AC is a former partner of the existing audit firm of the Company during the period of two years after he ceases to be a partner of the audit firm. All AC members have sufficient experience in reviewing audited financial statements as aided by the auditor of the Group whenever required. In addition, at least one of the member of the AC has the appropriate professional qualifications or experience in financial matters as required under the Listing Rules.

Two AC meetings were held during the financial year ended 31 December 2020. Attendance records of the AC members are set out below:

| Committee Members | Attendance/ Number of Meetings |
|---|---|
| Mr. LUK Koon Hoo, Roger *(Chairman)* | 2/2 |
| Mr. HOONG Cheong Thard | 2/2 |
| Mr. TANG Sing Ming Sherman | 2/2 |

(i) The terms of reference of the AC, which are available on the websites of the Stock Exchange and the Company, are aligned with the provisions set out in the CG Code and 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 AC:

(A) Relationship with the Company's external auditor

(a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of their resignation or dismissal;

(b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The AC should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences; and

(c) to develop and implement policy on engaging an external auditor to provide non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The AC should report to the Board, identifying and making recommendations on any matters where action or improvement is needed.

## (F) BOARD COMMITTEES (Continued)

### (I) Audit Committee (Continued)

(i) (Continued)

(B) Review of financial information of the Company

(a) to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the AC should focus particularly on:

(i) any changes in accounting policies and practices;

(ii) major judgmental areas;

(iii) significant adjustments resulting from audit;

(iv) the going concern assumptions and any qualifications;

(v) compliance with accounting standards; and

(vi) compliance with the Listing Rules and legal requirements in relation to financial reporting.

(b) regarding (B)(a) above:

(i) the AC should liaise with the Board and Senior Management and must meet, at least twice a year, with the Company's external auditor; and

(ii) the AC should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, or for compliance function or auditors.

(C) Oversight of the Company's financial reporting system, and risk management and internal control systems

(a) to review the Company's risk management and internal control systems covering all controls; including financial, operational and compliance controls;

(b) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budgets of the Company's accounting, internal audit and financial reporting functions;

(c) to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings and review the statements concerning risk management and internal control systems to be included in the annual report;

## (F) BOARD COMMITTEES (Continued)

### (I) Audit Committee (Continued)

(i) (Continued)

(C) Oversight of the Company's financial reporting system, and risk management and internal control systems (Continued)

(d) to ensure co-ordination between the internal audit function and external auditor, to review and approve the annual internal audit plan, to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company for it to carry out an analysis and independent appraisal of the adequacy and effectiveness of the Company's financial reporting system, risk management and internal control systems, and to review and monitor the effectiveness of the internal audit function;

(e) to review the Group's financial and accounting policies and practices;

(f) to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;

(g) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(h) to report to the Board on the matters in the code provisions as set out in the Listing Rules;

(i) to establish procedures for (i) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;

(j) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The AC should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

(k) to act as the key representative body for overseeing the Company's relations with the external auditor; and

(l) to consider other topics, as defined by the Board.

(D) Review and reassessment of these terms of reference

At least annually, the AC shall review and reassess the adequacy of these terms of reference and recommend any proposed changes to the Board for approval.

## (F) BOARD COMMITTEES (Continued)

### (I) Audit Committee (Continued)

(i) (Continued)

(E) Oversight of the Company's Corporate Governance Matters

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(b) to review and monitor the training and continuous professional development of the Directors and Senior Management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and the Directors;

(e) to review the Company's compliance with the code and disclosure in the Corporate Governance Report as set out in the annual report of the Company; and

(f) to consider other topics, as defined by the Board.

(ii) The Group has adopted and established a Whistleblowing Policy & Procedures. The Company's AC has the delegated authority and responsibility, for employees and those who deal with the Group (e.g. customers and suppliers) to raise concerns, in confidence, with the Head of Human Resources Department, and any and all relevant complaints received may then be referred to the AC about possible improprieties in any matter related to the Group.

(iii) The work performed by the AC for the financial year ended 31 December 2020 is summarised below:

(a) review of the annual audit plan of the external auditor before the audit commences, and discussion with them about the nature and scope of the audit;

(b) approval of the remuneration and the appointment and the terms of engagement of the external auditor;

(c) review of the external auditor's independence and objectivity and the effectiveness of audit process in accordance with applicable standards;

(d) review of the half-year and annual consolidated financial statements of the Group before submission to the Board, with particular consideration of the points mentioned in paragraph (i)(B) above regarding the duties of the AC;

(e) review of the internal audit report and annual audit plan of the internal audit function carried out by independent professionals;

## (F) BOARD COMMITTEES (Continued)

### (I) Audit Committee (Continued)

(iii) (Continued)

(f) review of the Group's risk management and internal control systems and the statements concerning risk management and internal control systems to be included in the annual report;

(g) meeting with the external auditor without the executive Director present;

(h) review of the corporate governance matters of the Group;

(i) review of the terms of reference of the AC; and

(j) review of and monitoring of the Group's compliance with legal and regulatory requirements.

### (II) Compensation Committee

The Company has set up the CC consisting of five members of which three of them are the independent non-executive Directors. As at the date of this annual report, the CC comprises Mr. Lam Kin-Fung, Jeffrey (an independent non-executive Director and the Chairman of the CC), Tan Sri Dato' David Chiu (a non-executive Director), Mr. Tsang On Yip, Patrick (a non-executive Director), Dr. Hu Shao Ming Herman (an independent non-executive Director) and Mr. Luk Koon Hoo, Roger (an independent non-executive Director).

One CC meetings was held during the financial year ended 31 December 2020. Attendance record of the CC members is set out below:

| Committee Members | Attendance/ Number of Meeting |
|---|---|
| Mr. LAM Kin-Fung, Jeffrey *(Chairman)* | 1/1 |
| Tan Sri Dato' David CHIU | 1/1 |
| Mr. TSANG On Yip, Patrick | 1/1 |
| Dr. HU Shao Ming Herman | 1/1 |
| Mr. LUK Koon Hoo, Roger | 1/1 |

## (F) BOARD COMMITTEES (Continued)

### (II) Compensation Committee (Continued)

(i) The terms of reference of the CC, which are available on the websites of the Stock Exchange and the Company, are aligned with the provisions set out in the CG Code. Given below are the main duties of the CC:

(a) to make recommendations to the Board on the Company's policy and structure for remuneration of all Directors and Senior Management, and on the establishment of a formal and transparent procedure for developing remuneration policy;

(b) to review and approve the management's remuneration proposals by reference to the Board's corporate goals and objectives;

(c) either:

(i) to determine, with delegated responsibility, the remuneration packages of individual executive Directors and Senior Management; or

(ii) to make recommendations to the Board on the remuneration packages of individual executive Directors and Senior Management.

This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

(d) to make recommendations to the Board on the remuneration of non-executive Directors;

(e) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

(f) to review and approve compensation payable to executive Directors and Senior Management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

(g) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

(h) to ensure that no Director or any of his associates is involved in deciding his own remuneration;

(i) to advise the Shareholders on how to vote with respect to any service contracts of Directors that require the Shareholders' approval under the Listing Rules;

(j) to decide with respect to the Employee Share Option Scheme (if any):

(i) the Employees to whom Options shall be granted;

(ii) the number of Shares subject to each Option;

(iii) the date on which Options shall be granted; and

(iv) the Subscription Price; and

(k) to review any compensation related or other issues as requested by the Board.

## (F) BOARD COMMITTEES (Continued)

### (II) Compensation Committee (Continued)

(ii) The work performed by the CC, which has the delegated authority and responsibility, for the financial year ended 31 December 2020 is summarised below:

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

(b) assess performance of the executive Director and the consideration and approval of the emoluments for all the Directors and the Senior Management;

(c) make recommendations to the Board on the remuneration packages of individual Directors and Senior Management; and

(d) review of the terms of reference of CC.

The basis of determining the emoluments payable to its Directors and the Senior Management is with reference to their qualifications, experience, duties and responsibilities with the Group, as well as the Group's performance and the prevailing market conditions.

### (III) Nomination Committee

The Company has set up the NC with the majority of its members being independent non-executive Directors. As at the date of this annual report, the NC comprises Tan Sri Dato' David Chiu (a non-executive Director and the Chairman of the NC), Mr. Lam Kin-Fung, Jeffrey (an independent non-executive Director) and Mr. Luk Koon Hoo, Roger (an independent non-executive Director).

At present, more than one-third of the Directors on the Board are the independent non-executive Directors. They represent diverse career experience in both international and local enterprises. They bring with them diverse professional backgrounds, spanning property development and investment, banking, legal, valuation and advisory, hospitality and entrepreneurship. They also hold or have held important public service positions in Hong Kong and China, covering business, industry and commerce, sports, education, regulatory and politics.

The Board composition reflects various cultural and educational backgrounds, professional development, length of service, knowledge of the Company and a broad range of individual attributes, interests and values. The NC considers the current Board composition has provided the Company with a good balance and diversity of skills and experience appropriate to the requirements of its business. The NC will continue to review its composition from time to time taking into consideration specific needs for the Group's business.

## (F) BOARD COMMITTEES (Continued)

### (III) Nomination Committee (Continued)

The Board has adopted the Director Nomination Process and Selection Criteria of the Company (the "Nomination Policy"), which aims to set out the relevant selection criteria and nomination procedures to assist the NC and the Board to ensure that the Board has a balance of skills, experience and diversity of perspective appropriate to the requirement of the Group's businesses. A summary of the Nomination Policy is disclosed as below.

1. Criteria

The NC and the Board shall consider the following criteria in evaluating and selecting candidates for directorships:

- Characteristics of individual director including integrity and accountability, informed judgment, prudence and maturity (being able to engage in constructive debate and give independent opinions), principled and professional and other characteristics as the NC deems appropriate);
- Competencies in the areas including accounting and finance, law, industry knowledge, marketing and competencies as the NC deems appropriate to ensure the Board's overall suitability;
- The structure, size and composition of the Board;
- The appropriate mix of competencies between Directors to enable the Board to discharge its responsibilities effectively;
- The appropriate balance of skills, experience, knowledge, expertise and diversity of the Board is maintained, and the board diversity policy (the "Board Diversity Policy") adopted by the Board is followed;
- The capability of the candidate to devote the necessary time and commitment to the role. This involves a consideration of other commitments including matters such as other board or executive appointments; and
- The potential conflicts of interest, and independence.

The NC shall also consider the requirement for the Board to have independent non-executive Directors in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in the Listing Rules and such other perspectives that are appropriate to our Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the NC from time to time for nomination of directors and succession planning.

## (F) BOARD COMMITTEES (Continued)

### (III) Nomination Committee (Continued)

#### 2. Nomination Procedures

- The NC or the Board shall, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

- If more than one candidate are nominated by the NC, the NC shall base on the criteria (as set out in section 1 above) and recommend the most competent candidate to the Board (where applicable).

- The NC shall also consider the number of board positions they hold in other firms.

- The NC shall engage external consultants where necessary to assist in the selection process of suitable candidates.

- After the NC reviewed and considered the candidates, the NC makes recommendations to the Board on any proposed changes to implement the Company's corporate strategy.

- For any person that is nominated by a Shareholder for election as a director at the general meeting of the Company, the NC and the Board shall evaluate such candidate

#### Board Diversity Policy

The Board has adopted the Board Diversity Policy. Under the Board Diversity Policy, the Company recognises and embraces the benefits of having a diverse Board with a vision for the Company to achieve a sustainable and balanced development.

The Board Diversity Policy sets out the approach to achieve diversity on the Board and the NC has developed the measurable objectives to implement this Policy, taking into account the factors based on the business model of the Company and specific needs from time to time. In achieving the board diversity, a number of factors, including but not limited to, cultural and educational background, gender, ethnicity, age, skills, knowledge, experience and length of service and any other factors that the Board may consider relevant and applicable from time to time taking into account the Company's business model and specific needs, are considered. All the Board appointments are made on merits while having due regard for the benefits of diversity on the Board.

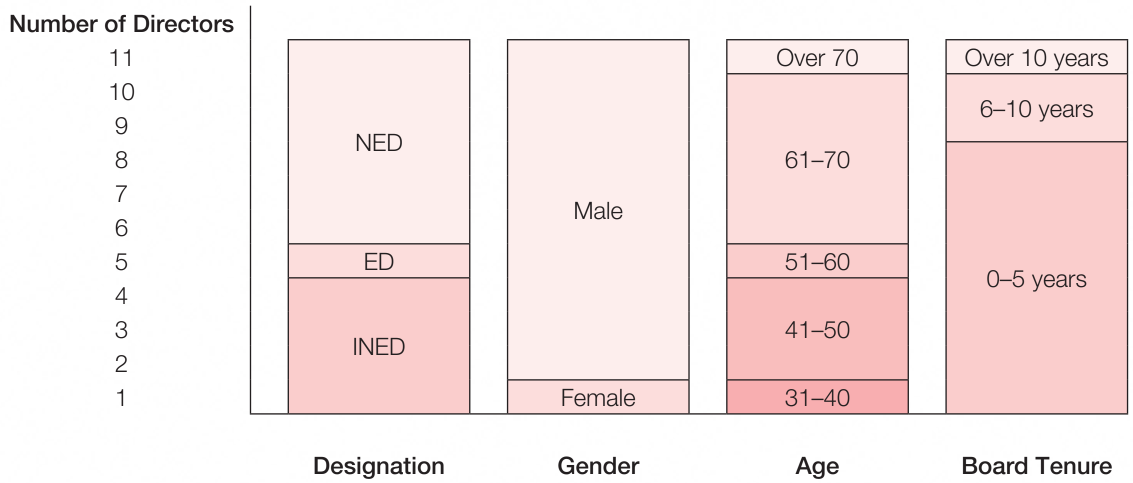
The NC will review the Board Diversity Policy annually to ensure its effectiveness, and recommend any appropriate revisions to ensure it remains relevant to the Company's needs and reflects the current regulatory requirements and good corporate governance practices.

## (F) BOARD COMMITTEES (Continued)

### (III) Nomination Committee (Continued)

Diversity Mix

As at 31 December 2020, the Board consists of 11 Directors and the Board composition is as below:




| | | |
|---|---|---|
| ED | : | Executive Director |
| NED | : | Non-executive Director |
| INED | : | Independent Non-executive Director |

Biographical details of the Directors, including details of their skills and experience are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report. The Group sees increasing diversity at the Board level as an essential element in attaining its strategy and achieving sustainable and balanced development of the Group, and will continue to further enhance board diversity while maintaining an appropriate balance between continuity of experience and Board refreshment.

## (F) BOARD COMMITTEES (Continued)

### (III) Nomination Committee (Continued)

The terms of reference of the NC, which are available on the websites of the Stock Exchange and the Company, are aligned with the provisions set out in the CG Code. Given below are the main duties of the NC:

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(c) to assess the independence of the independent non-executive Directors;

(d) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the chief executive; and

(e) to develop and maintain a board diversity policy and make recommendations on any proposed changes to the Board, as appropriate, to ensure it remains relevant to the Company's needs and reflects the current regulatory requirements and good corporate governance practices and to making disclosure of its review results in the Corporate Governance Report annually.

The work performed by the NC, which has the delegated authority and responsibility, for the financial year ended 31 December 2020 is summarised below:

(a) review of the Board Diversity Policy;

(b) review of the terms of reference of NC;

(c) review of the structure, size and composition of the Board taking into account the Board Diversity Policy and make recommendations on any proposed changes to the Board;

(d) assess the independence of the independent non-executive Directors; and

(e) make recommendations to the Board for the re-appointment of Directors standing for re-election at the AGM.

## (F) BOARD COMMITTEES (Continued)

### (III) Nomination Committee (Continued)

One NC meeting was held during the financial year ended 31 December 2020. Attendance record of the NC members is set out below:

| Committee Members | Attendance/ Number of Meeting |
|---|---|
| Tan Sri Dato' David CHIU *(Chairman)* | 1/1 |
| Mr. LAM Kin-Fung, Jeffrey | 1/1 |
| Mr. LUK Koon Hoo, Roger | 1/1 |

### (IV) Corporate Governance Functions

While the Board is and remains to be principally responsible for the corporate governance functions of the Company, it has delegated the relevant duties to the AC to ensure the proper performance of corporate governance functions of the Company. In this connection, the terms of reference of the AC include various duties relating to corporate governance matters which are set out in paragraph "(E) Oversight of the Company's Corporate Governance Matters" on page 42 under sub-section "(I) Audit Committee" of section "(F) BOARD COMMITTEES" above.

## (G) AUDITOR'S REMUNERATION

The fees in relation to the audit services for the financial year ended 31 December 2020 provided by PricewaterhouseCoopers, the external auditor of the Company, amounted to approximately HK$2,790,000 and the remuneration in relation to non-audit services, mainly included tax compliance services and other compliance services, paid or payable to PricewaterhouseCoopers amounted to approximately HK$1,217,000.

## (H) RISK MANAGEMENT AND INTERNAL CONTROLS

### (I) Risk Governance

The risk management and internal control systems (the "RM&IC Systems") of the Group comprise a well-defined governance structure, with areas of responsibility and limits of authority of each business and operational unit clearly delineated to ensure effective checks and balances. Internal control policies, procedures and guidelines have been compiled to safeguard assets against unauthorised use or disposition, to maintain of proper records, to assure of the reliability of financial information for internal use or publication and to comply with relevant legislation and regulations.

The Board acknowledges its ultimate responsibility to oversee internal control systems, to evaluate and determine the nature and extent of the risks it is willing to take in achieving strategic objectives and for maintaining the RM&IC Systems as well as to monitor their effectiveness. The management is tasked with the design, implementation and monitoring of the systems. The AC has been delegated by the Board to oversee the systems and is supported by independent professionals to perform the internal audit function, which provides assessment on risk and internal control oversight.

## (H) RISK MANAGEMENT AND INTERNAL CONTROLS (Continued)

### (I) Risk Governance (Continued)

The internal audit function monitors compliance with policies and standards and carries out an analysis and independent appraisal of the adequacy and effectiveness of the RM&IC Systems across the Group. Findings regarding risk management and internal control matters are reported to the AC, in line with the annual audit plan reviewed by the AC, and communicated to the business or corporate units concerned.

Notwithstanding the above, the RM&IC Systems are designed to manage the risk rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

### (II) Risk Management Processes and Practices

The management maintains a risk register to identify major risks, which are then categorised into business risks, financial risks, compliance risks, operational risks and other risks. The risks identified are evaluated in terms of individual likelihood of occurrence, severity of consequence, priority and the existence of early warning signal. Based on the results of the assessment, the management will determine the appropriate risk response: acceptance, transfer, elimination, reduction or sharing, and formulate corresponding control activities and mitigation measures. The risk profile will be reviewed and the risk register will be updated on an ongoing basis to incorporate any change in the nature and extent of significant risks. Internal control deficiencies, if any, are communicated to the responsible parties for taking corrective action.

The AC, through independent professionals to perform the internal audit function, conducts annual review of the effectiveness of the RM&IC Systems and procedures, on a rotation of different cycles basis, covering all controls, including financial, operational and compliance controls, by way of the above risk identification and assessment exercise. Confirmation from the management, in the form of certification that the risk management and internal control procedures are functioning effectively to meet the respective financial reporting, operational and compliance needs, is obtained from business and corporate unit heads.

To ensure timely, fair, accurate and complete disclosure of inside information and compliance with the applicable laws and regulations, the Group has in place, as an internal control element, a disclosure policy of inside information providing guidance on reporting and dissemination of inside information and preservation of confidentiality. Under the policy, Directors or heads of business units shall report to the Chairman/the Chief Financial Officer for any potential/suspected inside information event as soon as practicable when it materialises for determining the nature of developments, and if required, making disclosure. All staff are also required to observe the code of ethical standards to keep non-public information confidential.

### (III) Periodical Reviews

During the year ended 31 December 2020, the AC through the independent professionals to perform the internal audit function, had conducted review of the RM&IC Systems on behalf of the Board, including the adequacy of, inter alia, resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions. Written management confirmation on the effectiveness of the RM&IC Systems has been received.

The results of the review were reported by the AC to the Board, based on which the Directors concluded that, for the financial year ended 31 December 2020, the RM&IC Systems and procedures of the Group were effective and adequate. The Group has complied with the provisions in the CG Code regarding the risk management and internal control systems.

## (I) DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of the consolidated financial statements of the Group for the financial year ended 31 December 2020, which give a true and fair view of the financial position of the Group as a whole as at the end of the financial year and of the Group's financial performance and cash flows for the year then ended and in compliance with the requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "CO") and the applicable disclosure provisions of the Listing Rules.

The reporting responsibilities of the auditor of the Company in the Independent Auditor's Report are set out on pages 77 to 85 of this annual report.

## (J) COMPANY SECRETARY

The Company Secretary, Mr. Kwok Chi Kin, is an employee of the Group and has day-to-day knowledge of the Company's affairs. He reports to the Chairman and is responsible for advising the Board on corporate governance matters and facilitating induction and professional development of the Directors. He also supports the Board by ensuring good information flow and that the policies and procedures adopted by the Board are followed. During the financial year ended 31 December 2020, he had taken no less than 15 hours of relevant professional training. The biographical details of Mr. Kwok are set out in the section headed "Biographical Details of Directors and Senior Management" section of this annual report.

## (K) COMMUNICATION WITH SHAREHOLDERS

A Shareholders Communication Policy has been adopted by the Company to ensure that the Shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable the Shareholders to exercise their rights in an informed manner, and to allow the Shareholders and the investment community to engage actively with the Company.

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). In addition, the Company makes full use of the internet to make information broadly available to the Shareholders. The Company's website provides the relevant contact information by which enquiries may be put to the Board. Constantly being updated in a timely manner, the website also contains a wide range of additional information on the Group's business activities.

The Company encourages its Shareholders to attend the annual general meetings of the Company to ensure a high level of accountability and to stay informed of the Group's strategy and goals. The Directors and the external auditor are also available to answer the Shareholders' questions at the meetings.

## (L) SHAREHOLDERS' RIGHTS

### (I) Convene a General Meeting

Pursuant to Section 566 of the CO, on written requisition by the Shareholders representing at least 5% of the total voting rights of all Shareholders having a right to vote at general meetings, the Directors must convene a general meeting.

### (II) Send Enquiries to the Board

The Company's corporate website (www.i-cablecomm.com) provides the relevant contact information (for enquiry purpose only) by which Shareholders may at any time address their enquiries to the Board.

### (III) Make Proposals at General Meetings

(i) The procedures for proposing candidate(s) for election as Director(s) at a Shareholders' meeting are set out in the Corporate Information section of the Company's corporate website.

(ii) The procedures for proposing resolution(s) to be moved at the Company's annual general meeting(s) are as follows:

Pursuant to Section 615 of the CO, the Shareholder(s) can submit a written requisition to move a resolution at the Company's annual general meeting(s) if they represent:

- at least 2.5% of the total voting rights of all Shareholders who have a right to vote at the annual general meeting to which the requests relate; or
- at least 50 members who have a right to vote on the resolution at the annual general meeting to which the requests relate.

The relevant written requisition must:

(a) identify the resolution of which notice is to be given;

(b) be authenticated by the person or persons making it; and

(c) be received by the Company not later than 6 weeks before the relevant annual general meeting to which the requests relate; or if later, the time at which notice is given of that meeting.

Any written requisitions from the Shareholders to the Company pursuant to Sections 566 and 615 of the CO must be deposited at the Company's registered office.

## (M) DIVIDEND POLICY

The Board has adopted a Dividend Policy (the "Dividend Policy"). Under the Dividend Policy, the Board may from time to time pay to the Shareholders annual dividends, if any, on the outstanding ordinary Shares declared by and subject to the discretion of the Board and must be approved at a general meeting of the Shareholders. In addition, the Board may from time to time pay to the Shareholders such interim dividends as appear to the Board to be justified, both annual dividends and interim dividends shall not exceed the amount recommended by the Board, in accordance with the provision of the Articles and the CO.

The Board may only consider to make a distribution if the amount of the Company's net assets is not less than the aggregate of the Company's called up share capital and undistributable reserves; and to the extent that, the distribution does not reduce the amount of those assets to an amount less than the aggregate of the Company's called up share capital and undistributable reserves.

The Board shall consider, including but not limited to, the following factors before the declaration and payment of dividends:

(a) the Group's results of operations;

(b) the earnings and distributable reserves of the Company and each of the members of the Group;

(c) the Group's actual and expected financial performance and conditions and liquidity position;

(d) the Shareholders' interests;

(e) any restrictions on payment of dividends that may be imposed by the Group's lenders;

(f) the Group's expected working capital requirements, surplus and future expansion plans;

(g) contractual, statutory and regulatory restrictions;

(h) general economic conditions and other internal or external factors that may have any impact on the business or financial performance and position of the Company; and

(i) any other factors that the Board deems appropriate.

The Board endeavours to maintain a balance between meeting the Shareholders' expectations and prudent capital management with a sustainable dividend policy. The Board will continue to review the Dividend Policy and reserve the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy from time to time.

## (N) AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

There was no change in the Company's constitutional documents during the year ended 31 December 2020. The consolidated version of the Articles is available on the websites of the Stock Exchange and the Company.

The Directors have pleasure in presenting their annual report and the audited consolidated financial statements of the Group for the financial year ended 31 December 2020.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiaries and consolidated structured entities are set out in Note 18 to the consolidated financial statements in this annual report.

## BUSINESS REVIEW

A review of the business of the Group during the year is provided in the section headed "Chairman's Statement" on pages 3 to 4 of this annual report, "Business Review" on pages 5 to 8 of this annual report and "Management Discussion and Analysis" on pages 23 to 32 of this annual report. The principal risks and uncertainties the Group faces are contained in the section headed "Business Review" on page 8 of this annual report and Note 5 to the consolidated financial statements in this annual report. The future development of the business of the Group is provided in the sections headed "Management Discussion and Analysis — Future Plans for Material Investments or Capital Assets" and "Management Discussion and Analysis— Outlook" on pages 29 to 31 of this annual report.

In addition, discussions on the Group's environmental policies and performance, compliance with the relevant laws and regulations and an account of the Group's key relationship with its employees, customers and suppliers are contained under the section headed "Environmental, Social and Governance Report" on pages 10 to 22 of this annual report.

## RESULTS

The results of the Group for the financial year ended 31 December 2020 are set out in the consolidated statement of profit or loss and the consolidated statement of comprehensive income on pages 86 to 87 of this annual report.

## DIVIDEND

The Board does not recommend the payment of any dividend for the financial year ended 31 December 2020 (2019: HK$Nil).

## MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2020:

The aggregate amount of revenue attributable to the Group's five largest customers represented less than 30% of the Group's total revenue for the year.

The percentage of purchases attributable to the Group's largest supplier and five largest suppliers accounted for approximately 8% and 31% respectively of the Group's total purchases for the year.

None of the Directors nor their close associates holds, nor does any Shareholder owning (to the knowledge of the Directors) more than 5% of the number of issued Shares hold, any interests in any of the Group's five largest suppliers or customers.

## FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 152 of this annual report.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in Note 13 to the consolidated financial statements in this annual report.

## BANK LOAN AND OTHER BORROWING

Details of the bank loan and other borrowing of the Group as at 31 December 2020 including interest-bearing borrowing and convertible bonds are set out in Notes 24 and 25 to the consolidated financial statements in this annual report respectively.

## SHARE CAPITAL

Details of the Shares issued and the movements in the share capital of the Company during the year are set out in Note 26 to the consolidated financial statements in this annual report. Details of the information in relation to the use of proceeds raised from the Rights Issue and the issuance of the 2019 LCS are set out in the section headed "Management Discussion and Analysis — Liquidity, Financial Resources and Capital Structure" on pages 26 to 27 of this Annual Report.

## EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme disclosed in the section headed "Share Option Scheme" below and the issuance of the 2019 LCS disclosed in the section headed "Management Discussion and Analysis — LCS" and Note 25 to the consolidated financial statements in this annual report, no equity-linked agreement was entered into by the Group during the financial year or subsisted at the end of the financial year.

## DISTRIBUTABLE RESERVES

As at 31 December 2020, the aggregate amount of reserves of the Company available for distribution to equity Shareholders, as calculated under the provisions of Part 6 of the CO, was HK$Nil (2019: HK$Nil).

## DIRECTORS OF THE COMPANY

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

**Non-executive Directors**
Tan Sri Dato' David CHIU
Dr. CHENG Kar-Shun, Henry
Mr. TSANG On Yip, Patrick
Mr. HOONG Cheong Thard
Mr. LIE KEN JIE Remy Anthony Ket Heng
Ms. NG Yuk Mui Jessica

**Executive Director**
Mr. Andrew Wah Wai CHIU

**Independent Non-executive Directors**
Mr. LAM Kin-Fung, Jeffrey
Dr. HU Shao Ming Herman
Mr. LUK Koon Hoo, Roger
Mr. TANG Sing Ming Sherman

In accordance with Article 106(A) of the Articles, Dr. Cheng Kar-Shun, Henry, Mr. Lam Kin-Fung, Jeffrey, Mr. Luk Koon Hoo, Roger and Mr. Tang Sing Ming Sherman will retire from the Board by rotation and being eligible and shall offer themselves for re-election at the forthcoming annual general meeting. Mr. Luk Koon Hoo, Roger has served the Company for more than nine years. Pursuant to the CG Code of the Listing Rules, his re-election will be subject to separate resolution to be approved at the forthcoming annual general meeting. 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 Group within one year without payment of compensation (other than statutory compensation).

Biographical information of the Directors is set out in the section headed "Biographical Details of Directors and Senior Management" on pages 70 to 76 of this annual report.

## DIRECTORS OF SUBSIDIARIES OF THE COMPANY

The names of all persons who, during the financial year and up to the date of this report, serve as directors of the companies included as subsidiaries of the Company for the financial year ended 31 December 2020 are set out below:

Mr. Andrew Wah Wai CHIU
Mr. CHAN Hing Cheong
Mr. CHAN Wai Man
Mr. CHOW Hoi Yuen Philip
Mr. FUNG Tak Hung William
Ms. HEW Roslyn Sook Lin
Ms. LAI Mei Kit
Ms. LAU Pui Ching
Ms. LEUNG Shuk Yee Irene
Ms. NG Ching Man Carman
Mr. POON Wai Lam William
Mr. SHUEN Wai Hung
Ms. SUEN Chung Yan Julia
Mr. WONG Hei Pui
Ms. WONG Pui Chee Gigi

## CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company received from each of Mr. Lam Kin-Fung, Jeffrey, Dr. Hu Shao Ming Herman, Mr. Luk Koon Hoo, Roger and Mr. Tang Sing Ming Sherman a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that all the independent non-executive Directors are independent.

## DIRECTORS' SERVICE CONTRACTS

Each of the following Directors has entered into a letter of appointment with the Company for an initial term of three years with more than 12 months to run irrespective of the notice period. The details of the Directors' letters of appointment are set out below:

| Name of Directors | Term of the appointment | Remuneration per annum |
|---|---|---|
| Tan Sri Dato' David CHIU | For an initial term of three years and renewable automatically for successive terms of three years upon expiry of the then current term of the appointment | A director's fee of HK$60,000 per annum and such other benefits as may be determined by, and at the discretion of, the Board from time to time |
| Dr. CHENG Kar-Shun, Henry | For an initial term of three years and renewable automatically for successive terms of three years upon expiry of the then current term of the appointment | A director's fee of HK$60,000 per annum and such other benefits as may be determined by, and at the discretion of, the Board from time to time |

## DIRECTORS' SERVICE CONTRACTS (Continued)

| Name of Directors | Term of the appointment | Remuneration per annum |
|---|---|---|
| Mr. TSANG On Yip, Patrick | For an initial term of three years and renewable automatically for successive terms of three years upon expiry of the then current term of the appointment | A director's fee of HK$60,000 per annum and such other benefits as may be determined by, and at the discretion of, the Board from time to time |
| Mr. HOONG Cheong Thard | For an initial term of three years and renewable automatically for successive terms of three years upon expiry of the then current term of the appointment | A director's fee of HK$60,000 per annum and such other benefits as may be determined by, and at the discretion of, the Board from time to time |
| Mr. LIE KEN JIE Remy Anthony Ket Heng | For an initial term of three years and renewable automatically for successive terms of three years upon expiry of the then current term of the appointment | A director's fee of HK$60,000 per annum and such other benefits as may be determined by, and at the discretion of, the Board from time to time |
| Ms. NG Yuk Mui Jessica | For an initial term of three years and renewable automatically for successive terms of three years upon expiry of the then current term of the appointment | A director's fee of HK$60,000 per annum and such other benefits as may be determined by, and at the discretion of, the Board from time to time |
| Mr. Andrew Wah Wai CHIU | For an initial term of three years and renewable automatically for successive terms of three years upon expiry of the then current term of the appointment | A director's fee of HK$60,000 per annum and such other benefits as may be determined by, and at the discretion of, the Board from time to time |
| Mr. LAM Kin-Fung, Jeffrey | For an initial term of three years and renewable automatically for successive terms of three years upon expiry of the then current term of the appointment | A director's fee of HK$60,000 per annum and such other benefits as may be determined by, and at the discretion of, the Board from time to time |
| Dr. HU Shao Ming Herman | For an initial term of three years and renewable automatically for successive terms of three years upon expiry of the then current term of the appointment | A director's fee of HK$60,000 per annum and such other benefits as may be determined by, and at the discretion of, the Board from time to time |

## DIRECTORS' SERVICE CONTRACTS (Continued)

| Name of Directors | Term of the appointment | Remuneration per annum |
|---|---|---|
| Mr. LUK Koon Hoo, Roger | For an initial term of three years and renewable automatically for successive terms of three years upon expiry of the then current term of the appointment | A director's fee of HK$80,000 per annum (including a fee of HK$20,000 per annum in the capacity as a member of the AC), and such other benefits as may be determined by, and at the discretion of, the Board from time to time |
| Mr. TANG Sing Ming Sherman | For an initial term of three years and renewable automatically for successive terms of three years upon expiry of the then current term of the appointment | A director's fee of HK$80,000 per annum (including a fee of HK$20,000 per annum in the capacity as a member of the AC) and such other benefits as may be determined by, and at the discretion of, the Board from time to time |

None of the Directors had service contract with the Company or any of its subsidiaries or associated companies (i) which were continuous contracts with a notice period of 12 months or more; (ii) which were fixed term contracts with more than 12 months to run irrespective of the notice period; or (iii) which were not expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

## DIRECTORS' INTERESTS IN SECURITIES

Save as disclosed below, as at 31 December 2020, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were taken or deemed to have under such provisions of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors adopted by the Company, to be notified to the Company and the Stock Exchange.

## DIRECTORS' INTERESTS IN SECURITIES (Continued)

### Long position in underlying Shares — Share Options

Share Options granted to the Directors

| Name | Date of grant | Exercisable period | Number of Shares issuable under the Share Options granted | | | | | | Adjusted exercise price per Share *(Note 2)* HK$ |
|---|---|---|---|---|---|---|---|---|---|
| | | | Balance as at 1 January 2020 | Granted during the year | Exercised during the year | Lapsed during the year | Cancelled during the year | Balance as at 31 December 2020 | |
| Tan Sri Dato' David CHIU | 15 June 2018 | *(Note 1)* | 63,785,600 | – | – | – | – | 63,785,600 | 0.204 |
| Dr. CHENG Kar-Shun, Henry | 15 June 2018 | *(Note 1)* | 63,785,600 | – | – | – | – | 63,785,600 | 0.204 |
| Mr. TSANG On Yip, Patrick | 15 June 2018 | *(Note 1)* | 27,006,000 | – | – | – | – | 27,006,000 | 0.204 |
| Mr. HOONG Cheong Thard | 15 June 2018 | *(Note 1)* | 27,006,000 | – | – | – | – | 27,006,000 | 0.204 |
| Mr. LIE KEN JIE Remy Anthony Ket Heng | 15 June 2018 | *(Note 1)* | 3,600,800 | – | – | – | – | 3,600,800 | 0.204 |
| Mr. Andrew Wah Wai CHIU | 15 June 2018 | *(Note 1)* | 36,522,400 | – | – | – | – | 36,522,400 | 0.204 |
| | | | 221,706,400 | – | – | – | – | 221,706,400 | |

*Notes:*

*(1) 50% of the Share Options are exercisable from 15 June 2018 to 14 June 2028 (both dates inclusive); and 50% of the Share Options are exercisable from 15 June 2019 to 14 June 2028 (both dates inclusive).*

*(2) The exercise price per Share payable upon exercise of the outstanding Share Options granted under the Share Option Scheme was adjusted from HK$0.210 to HK$0.204 as a result of the Rights Issue. Details of the adjustments were set out in the announcement of the Company dated 3 June 2019.*

*(3) The closing price per Share as stated in the daily quotation sheet issued by the Stock Exchange immediately before the date on which the Share Options were granted was HK$0.155.*

*(4) The cash consideration paid by each of the Directors for the grant of Share Options was HK$1.00.*

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

Save as disclosed below, as at 31 December 2020, so far as is known to the Directors or chief executives of the Company, the Company had not been notified by any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

### Long positions in the Shares

| | Number of Shares | | | | | |
|---|---|---|---|---|---|---|
| Name of Shareholder | Beneficial owner | Spouse interest | Interest of a controlled corporation | Other interest | Total | Approximate percentage of the number of issued Shares |
| Forever Top (Asia) Limited | 7,627,722,894 *(Note 1)* | – | – | – | 7,627,722,894 | 106.91% |
| NG Hung Sang | 156,089,500 | 96,022,500 *(Note 2)* | 463,876,000 *(Note 3)* | – | 715,988,000 | 10.04% |
| NG Lai King Pamela | 96,022,500 | 619,965,500 *(Note 4)* | – | – | 715,988,000 | 10.04% |
| South China Securities Limited | 463,000,000 *(Note 3)* | – | – | – | 463,000,000 | 6.49% |

*Notes:*

1. *These 7,627,722,894 Shares represent 3,083,722,894 Shares owned by the Controlling Shareholder and 4,544,000,000 new Shares to be issued by the Company upon full exercise of the conversion rights under the 2019 LCS in the principal amount of HK$568 million based on the initial conversion price of HK$0.125 per conversion share.*

2. *Ng Hung Sang, the spouse of Ng Lai King Pamela, was deemed to be interested in 96,022,500 Shares which Ng Lai King Pamela is interested in under the SFO.*

3. *Ng Hung Sang was deemed to be interested in 463,876,000 Shares in which his controlled corporations are interested under the SFO. South China Finance and Management Limited directly held 876,000 Shares, while South China Securities Limited directly held 463,000,000 Shares. Both of these companies were 100% held by South China Financial Holdings Limited. South China Financial Holdings Limited was held as to 29.36% by Ng Hung Sang, among which 25.66% was held through his 100% owned corporations, while according to publicly available information, 3.70% was held by him as beneficial owner.*

4. *Ng Lai King Pamela, the spouse of Ng Hung Sang, was deemed to be interested in 619,965,500 Shares which Ng Hung Sang is interested in under the SFO.*

## DILUTIVE IMPACT ON THE SHARES IN THE EVENT THAT ALL THE OUTSTANDING 2019 LCS WERE CONVERTED

On 4 June 2019, the Company issued the 2019 LCS with the principal amount of HK$568 million to the Controlling Shareholder. As at 31 December 2020, none of the 2019 LCS was converted.

The following table sets out, for illustrative purpose only, the dilutive impact on the then number of issued Shares and the shareholding of the substantial shareholder (which has the meaning ascribed to it under the Listing Rules) of the Company as at 31 December 2020, assuming (i) 4,544,000,000 Shares were issued upon full conversion of the outstanding 2019 LCS on 31 December 2020 at the conversion price of HK$0.125 per conversion share, and (ii) that there were no other changes to the share capital of the Company during the year ended 31 December 2020:

| | As at 31 December 2020 | | Immediately upon full conversion of the 2019 LCS | |
|---|---|---|---|---|
| Shareholders | Number of issued Shares | Approximate percentage of the total number of issued Shares | Number of issued Shares | Approximate percentage of the total number of issued Shares |
| Forever Top | 3,083,722,894 | 43.22 | 7,627,722,894 | 65.31 |
| Other Shareholders | 4,050,900,626 | 56.78 | 4,050,900,626 | 34.69 |
| Total | 7,134,623,520 | 100.00 | 11,678,623,520 | 100.00 |

The full conversion of the outstanding 2019 LCS would not have dilutive impact on the loss per Share of the Group.

The 2019 LCS is not redeemable before the maturity date unless there is an occurrence of certain events as stipulated in the LCS subscription agreement dated 25 January 2019. The maturity date of the 2019 LCS is the end of tenth year from date of the issue of the 2019 LCS. Considering (1) the fact that the 2019 LCS will become mature in 2029; (2) the fact that there are no circumstances leading to a possible indication that there may be an early redemption of the 2019 LCS; and (3) the financial position and resources of the Group, it is expected that the Company will be able to meet its redemption obligations under the 2019 LCS when it becomes due.

It would be equally financially advantageous for the holder of the 2019 LCS (i.e. Forever Top) to convert or redeem the 2019 LCS based on the implied internal rate of return of the 2019 LCS at the Company's share price of HK$0.086 and HK$0.091 if Forever Top fully converts the 2019 LCS on 31 December 2021 and 31 December 2022 respectively.

## SHARE OPTION SCHEME

The Company previously adopted a share option scheme on 2 November 1999 which expired on 2 November 2009 and all outstanding unexercised share options granted thereunder expired on 31 December 2009. The Company adopted the new Share Option Scheme on 24 May 2018 which shall be valid and effective for a period of ten years from the date of adoption.

| | |
|---|---|
| Purpose of the scheme: | The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentives to the eligible persons, to recognise and acknowledge the contributions that the eligible persons have made or may make to the Group and to promote the success of the business of the Group. |
| Participants of the scheme: | Any person who is (or will be on the date of grant) an employee of the Group, a Director, a consultant or an advisor, as may be determined by the Directors from time to time. |
| Total number of Shares available for issue under the scheme and percentage of issued Shares as at the date of this annual report: | The Company had granted Share Options to certain eligible participants to subscribe for a total of 241,562,240 Shares under the Share Option Scheme as at the date of this report, representing approximately 3.39% of the total number of Shares as at the date of this report. |
| Maximum entitlement of each participant under the scheme: | Unless approved by the Shareholders, the total number of Shares issued and to be issued upon the exercise of the Share Options granted to each eligible person (including exercised, cancelled and outstanding Options) in any 12-month period shall not exceed 1% of the relevant class of securities of the Company in issue. |
| The period within which the Shares must be taken up under an option: | The period as notified by the Board upon the grant of Share Options during which it may be exercised, such period not to exceed 10 years from the date of grant of the relevant Share Options. |
| The minimum period for which an option must be held before it can be exercised: | Any period as determined by the Board. |
| The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid: | The amount payable for the acceptance of a Share Option shall be HK$1.00 which shall be paid upon acceptance of the offer of such Share Option. This consideration shall not be refundable to the participant and shall not be deemed to be a part payment of the exercise price. |

## SHARE OPTION SCHEME (Continued)

The basis of determining the exercise price: The exercise price of the Share Option shall be at a price determined by the Board and notified to a participant.

The exercise price shall not be less than the higher of:

(A) the closing price of the Shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on the date of grant of such Share Option; and

(B) the average closing price of the Shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of such Share Option.

The remaining life of the scheme: The Share Option Scheme shall be valid and effective for a period of 10 years from the date of adoption, i.e. 24 May 2018.

During the year ended 31 December 2020, movement of Shares issuable under the Share Options granted by the Company to eligible persons was as follows:

a. Details of the movement of Share Options granted to the Directors are disclosed under section headed "Directors' Interests in Securities" above.

b. Details of the movement of Share Options granted to other eligible persons (other than the Directors) are as follows:

| | | | Number of Shares issuable under the Share Options granted | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Eligible Persons | Date of grant | Exercisable period | Balance as at 1 January 2020 | Granted during the year | Exercised during the year | Lapsed during the year | Cancelled during the year | Balance as at 31 December 2020 | Adjusted exercise price per Share *(Note 2)* HK$ |
| Employees | 15 June 2018 | *(Note 1)* | 35,802,240 | – | – | (19,547,200) | – | 16,255,040 | 0.204 |
| Other participant | 15 June 2018 | *(Note 1)* | 3,600,800 | – | – | – | – | 3,600,800 | 0.204 |
| | | | 39,403,040 | – | – | (19,547,200) | – | 19,855,840 | |

## SHARE OPTION SCHEME (Continued)

*Notes:*

(1) *50% of the Share Options are exercisable from 15 June 2018 to 14 June 2028 (both dates inclusive); and 50% of the Share Options are exercisable from 15 June 2019 to 14 June 2028 (both dates inclusive).*

(2) *The exercise price per Share payable upon exercise of the outstanding Share Options granted under the Share Option Scheme was adjusted from HK$0.210 to HK$0.204 as a result of the Rights Issue. Details of the adjustments were set out in the announcement of the Company dated 3 June 2019.*

(3) *The closing price per Share as stated in the daily quotation sheet issued by the Stock Exchange immediately before the date on which the Share Options were granted was HK$0.155.*

(4) *The cash consideration paid by each of the eligible persons for the grant of Share Options was HK$1.00.*

The fair value of the Share Options granted as at the date of grant, 15 June 2018, was estimated at approximately HK$21 million using the Binomial option pricing model. Value was estimated based on the risk-free rate at 2.25% per annum with reference to the market yield rates of the Hong Kong Government Bond (maturing on 22 August 2028) as of the value date, a historical volatility of 66.08% calculated based on the historical price with period equals to the life of the Share options, assuming zero dividend yield based on historical dividend payout records. Share Options which are forfeited prior to the expiry date will be released directly to the reserve. The Binomial option pricing model requires input of subjective assumptions such as the expected stock price volatility. Change in the subjective input may materially affect the fair value estimates. With regard to the subjectivity and uncertainty of the values of the options, such values are subject to a number of assumptions and the limitation of the Binomial option pricing model.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed in the section headed "Material Related Party Transaction" in Note 31 to the consolidated financial statements in this annual report, and the contracts amongst group companies, no transaction, arrangement or contract of significance to which the Company, or any of its subsidiaries was a party, and in which a Director or any entities connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the year ended 31 December 2020.

## MANAGEMENT CONTRACT

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 December 2020.

## CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDER

Save as disclosed in the section headed "Material Related Party Transactions" in Note 31 to the consolidated financial statements in this annual report, there were no other contracts of significance between the Company, or any of its subsidiaries, and a controlling Shareholder or any its subsidiaries subsisting at the end of the year or at any time during the financial year.

## CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDER (Continued)

On 27 January 2021, the Company and the Controlling Shareholder entered into the 2021 LCS Subscription Agreement, pursuant to the 2021 LCS Subscription Agreement, the Company has conditionally agreed to issue, and the Controlling Shareholder has conditionally agreed to subscribe for, the 2021 LCS. The principal amount of the 2021 LCS is HK$200 million. The initial conversion price is HK$0.068 per the new Share to be issued upon exercise of the conversion rights under the 2021 LCS. The coupon rate is 2.0% per annum and payable quarterly. The maturity date of the 2021 LCS is the end of tenth year from date of the issue of the 2021 LCS. On the maturity date, all of the remaining outstanding 2021 LCS will be redeemed by the Company at one hundred percent of the outstanding principal amount of the 2021 LCS together with any interest accrued but unpaid thereon. The 2021 LCS is convertible into Shares at any time during the period from the date of the issue of the 2021 LCS up to the close of business on the maturity date, subject to the conversion restrictions. The Company may at any time on or after the date of issue of the 2021 LCS by giving not less than ten business days' written notice to the holder of the 2021 LCS to redeem all or part of the 2021 LCS at the outstanding principal amount of the 2021 LCS together with all accrued but unpaid interest. Details of the 2021 LCS are set out in the announcement of the Company dated 27 January 2021 and the circular of the Company dated 2 March 2021. The 2021 LCS Subscription Agreement and the transactions contemplated thereunder were approved by the independent Shareholders on 23 March 2021.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the financial year was the Company, any of its subsidiaries, its holding company or any subsidiary of such 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, with the exception that during the year, there existed certain outstanding options to subscribe for ordinary Shares, granted under Share Option Scheme to certain Directors. Details of the Share Options granted to the Directors were disclosed under the section headed "Directors' Interests in Securities" in this report. During the year ended 31 December 2020, no Share Option held by the Directors was exercised, lapsed or cancelled under the Share Option Scheme.

## DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year and up to the date of this report, none of the Directors (other than Independent Non-executive Directors) are considered to have interests in the businesses which compete or are likely to compete, either directly or indirectly with the business of the Group pursuant to the Listing Rules.

## PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, every Director is entitled to be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he/she may sustain or incur in or about the execution and/or discharge of his/her duties and/or the exercise of his/her powers and/or otherwise in relation to or in connection with his/her duties, powers or office, to the extent as permitted by laws.

The Company has maintained director's liability insurance throughout the year, which provides appropriate cover for the Directors and the directors of the subsidiaries of the Company for indemnifying their liabilities arising out of corporate activities.

## 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. The forfeited contributions may be used by the employer to reduce the existing level of contributions.

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.

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

Employees joining after 1 October 2000 will participate in the Mandatory Provident Fund, which is not operated by the Group, with terms as stipulated by the Mandatory Provident Fund Schemes Authority. The Group will also provide voluntary top-up benefits to employees receiving a monthly basic salary exceeding the statutory limits prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong).

For the retirement scheme operated by the Group, retirement scheme costs before capitalisation during the financial year ended 31 December 2020 amounted to approximately HK$9,896,000 (2019: HK$13,611,000) which were incurred after utilisation of forfeitures to reduce the Group's contributions of approximately HK$541,000 (2019: HK$88,000).

## DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

On 19 March 2019, Hong Kong Cable Television Limited ("HKC") as borrower, and the Company, as guarantor, confirmed the acceptance of a facility letter issued by a bank (the "Lender"), as the lender, in respect of, among other things, a HK$400,000,000 revolving loan facility (the "Revolving Loan Facility") being subject to review at any time and in any event not less than annually by the Lender; and on 15 March 2019, the Company, as applicant, (together with HKC, the "Borrowers") confirmed the acceptance of a facility letter issued by the Lender in respect of a HK$33,830,000 performance bond facility (the "Performance Bond Facility") with a maximum tenor of five years being subject to review at any time.

Pursuant to the facility letters in relation to both the Revolving Loan Facility and the Performance Bond Facility, the Borrowers have undertaken that Forever Top, the Controlling Shareholder, would (i) hold greater than 35% of the total number of the issued Shares and (ii) be the single largest Shareholder of the Company. In the event of a breach of the aforesaid covenant, the Lender has the right to suspend, withdraw or make demand in respect of the whole or any part of the respective facilities made available to the relevant Borrower at any time or determine whether or not to permit drawings in relation to the respective facilities.

During the year ended 31 December 2020, the above specific performance obligations under the Revolving Loan Facility and the Performance Bond Facility have been complied with. Details of the transactions were set out in the announcements of the Company dated 17 April 2018 and 18 December 2018.

## CONNECTED TRANSACTIONS

The related party transactions entered into by the Group during the financial year ended 31 December 2020 are disclosed in the section headed "Material Related Party Transaction" in Note 31 to the consolidated financial statements in this annual report. These transactions include amounts which fall under the definition of "connected transaction" or "continuing connected transaction" in accordance with Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the financial year ended 31 December 2020.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the financial year ended 31 December 2020.

## SUFFICIENCY OF PUBLIC FLOAT

At the date of this annual report, based on information that is publicly available to the Company and within the knowledge of the Directors, the percentage of the Shares which are in the hands of the public exceeds 25.0% of the Company's total number of issued Shares.

## AUDITOR

PricewaterhouseCoopers was appointed as auditor of the Company upon the retirement of KMPG as its term of office expired with effect from the conclusion of the annual general meeting of the Company held on 24 May 2018.

The consolidated financial statements of the Group now presented have been audited by PricewaterhouseCoopers, Certified Public Accountants who will retire and, being eligible, offer themselves for re-appointment, at the forthcoming annual general meeting of the Company.

On behalf of the Board

**Tan Sri Dato' David Chiu**
*Chairman*

Hong Kong, 30 March 2021

## SUPPLEMENTARY CORPORATE INFORMATION

### (A) Biographical Details of Directors and Senior Management

#### (i) Directors

**Tan Sri Dato' David CHIU** *(Age: 66)*

Tan Sri Dato' David Chiu, *B.Sc.*, was appointed as the chairman of the Board and a non-executive director of the Company in September 2017. He is also the chairman and a member of the NC and a member of the CC.

Tan Sri Dato' David Chiu holds a double degree of Bachelor of Science in Business Administration and Economics at the University of Sophia, Japan. He is a prominent businessman with over 30 years' experience in the property development and extensive experience in the hotel development. In his business career, he established a number of highly successful business operation through organic growth and acquisitions, covering Mainland China, Hong Kong, Japan, Malaysia, Singapore and Australia. Since 1978, Tan Sri Dato' David Chiu had been the managing director of Far East Consortium Limited, the predecessor of Far East Consortium International Limited ("FECIL"), a listed public company in Hong Kong. He was appointed as the deputy chairman and chief executive officer of FECIL on 8 December 1994 and 8 October 1997 respectively. On 8 September 2011, Tan Sri Dato' David Chiu has been appointed as the chairman of FECIL. He is also a director of Forever Top, a controlling shareholder of the Company.

In regard to Tan Sri Dato' David Chiu's devotion to community services in China and Hong Kong, he was appointed as the member of the 12th and 13th Chinese People's Political Consultative Conferences, the vice chairman of All-China Federation of Industry and Commerce in 2017. Currently, he is a trustee member of The Better Hong Kong Foundation, an honorary chairman of Mid-Autumn Festival Celebration-People and Forces' Committee, a director and a member of Concerted Efforts Resource Centre, a patron of China-United States Exchange Foundation, an honorary chairman of Guangdong Chamber of Foreign Investors, an honorary chairman of the Association of Chinese Culture of Hong Kong, the 8th board member of Friends of Hong Kong Association, a member of Hong Kong General Chamber of Commerce, a member of the Constitutional Reform Synergy, a member of The Real Estate Developers Association of Hong Kong, a member of Pacific Basin Economic Council, a director of three Ju Ching Chu Schools in Hong Kong and the vice chairman of Guangdong-Hong Kong-Macao Greater Bay Area Radio and Television Union. In Malaysia, Tan Sri Dato' David Chiu was awarded an honorary award which carried the title "Dato" and a more senior honorary title of "Tan Sri" by His Majesty, King of Malaysia in 1997 and 2005 respectively. He was also awarded the WCEF Lifetime Achievement Awards by Asian Strategy & Leadership Institute in 2013.

Tan Sri Dato' David Chiu is the father of Mr. Andrew Wah Wai Chiu, an executive director of the Company, and the brother of the brother-in-law of Mr. Tang Sing Ming Sherman, an independent non-executive director of the Company.

## SUPPLEMENTARY CORPORATE INFORMATION (Continued)

### (A) Biographical Details of Directors and Senior Management (Continued)

#### (i) Directors (Continued)

**Dr. CHENG Kar-Shun, Henry** *GBM, GBS (Age: 74)*

Dr. Cheng was appointed as the vice-chairman of the Board and a non-executive director of the Company in September 2017. Dr. Cheng is the chairman and executive director of New World Development Company Limited, NWS Holdings Limited and Chow Tai Fook Jewellery Group Limited, the chairman and non-executive director of New World Department Store China Limited and FSE Services Group Limited, and a non-executive director of DTXS Silk Road Investment Holdings Company Limited, all of them are listed public companies in Hong Kong. He was an independent non-executive director of HKR International Limited and Hang Seng Bank Limited up to his resignation on 31 March 2018 and retirement on 10 May 2018 respectively, the chairman and non-executive director of Newton Resources Ltd up to his resignation on 9 April 2018, and a non-executive director of SJM Holdings Limited up to his retirement on 11 June 2019, all of them are listed public companies in Hong Kong. He is a director and honorary chairman of New World China Land Limited. He is a director of Cheng Yu Tung Family (Holdings) Limited, Cheng Yu Tung Family (Holdings II) Limited, Chow Tai Fook Capital Limited, Chow Tai Fook (Holding) Limited and Chow Tai Fook Enterprises Limited. Dr. Cheng is also a director of Forever Top, a controlling shareholder of the Company.

Dr. Cheng is the chairman of the Advisory Council for The Better Hong Kong Foundation. He was a Standing Committee Member of the Twelfth Chinese People's Political Consultative Conference of The People's Republic of China. Dr. Cheng was awarded the Gold Bauhinia Star and the Grand Bauhinia Medal in 2001 and 2017 respectively by the Government of the Hong Kong Special Administrative Region.

Dr. Cheng is the uncle of the spouse of Mr. Tsang On Yip, Patrick, a non-executive director of the Company.

## SUPPLEMENTARY CORPORATE INFORMATION (Continued)

### (A) Biographical Details of Directors and Senior Management (Continued)

#### (i) Directors (Continued)

**Mr. TSANG On Yip, Patrick** *(Age: 49)*
Mr. Tsang was appointed as a non-executive director of the Company in September 2017. He is also a member of the CC.

Mr. Tsang is the chief executive officer and director of Chow Tai Fook Enterprises Limited. He is also an executive director of Melbourne Enterprises Limited and UMP Healthcare Holdings Limited, and a non-executive director of Greenheart Group Limited, Integrated Waste Solutions Group Holdings Limited and SJM Holdings Limited, all of which are listed public companies in Hong Kong. Mr. Tsang is a director of Cheng Yu Tung Foundation Limited and Chow Tai Fook (Holding) Limited, a governor of Chow Tai Fook Charity Foundation Limited, a member of Hong Kong Chief Executive Election Committee, and a General Committee member of Employers' Federation of Hong Kong. He has been a member of the 12th Henan Provincial Committee of the Chinese People's Political Consultative Conference since 2018. Mr. Tsang obtained a Bachelor of Arts degree in Economics from Columbia College of Columbia University in New York, USA.

Mr. Tsang's spouse is a niece of Dr. Cheng Kar-Shun, Henry, a non-executive director of the Company.

**Mr. HOONG Cheong Thard** *(Age: 52)*
Mr. Hoong, *B.Eng., ACA*, was appointed as a non-executive director of the Company in September 2017. He is also a member of the AC. He is an executive director of FECIL, a listed public company in Hong Kong, since August 2012. He joined FECIL in September 2008 as the managing director. He is responsible for the formulation and implementation of FECIL's overall strategies for development.

Prior to joining FECIL, Mr. Hoong was the chief executive officer of China LotSynergy Holdings Limited, a listed public company in Hong Kong, where he retired as a non-executive director of the company with effect from 1 June 2017.

Mr. Hoong was an investment banker for over 12 years and had held senior positions at Deutsche Bank and UBS where he was responsible for corporate finance business in Asia. Besides, he was a director of AGORA Hospitality Group Co., Ltd., a company listed on the Tokyo Stock Exchange, until March 2017 and is a non-independent non-executive director of Land & General Berhad, a company listed on the Bursa Malaysia. Mr. Hoong is also a director of Forever Top, which is a controlling shareholder of the Company.

Mr. Hoong is a member of the Institute of Chartered Accountants in England and Wales and holds a bachelor's degree in Mechanical Engineering from Imperial College, University of London.

**Mr. LIE KEN JIE Remy Anthony Ket Heng** *(Age: 42)*
Mr. Lie Ken Jie was appointed as a non-executive director of the Company in July 2019. He is currently a Senior Vice President of Chow Tai Fook Enterprises Limited with responsibilities in making strategic investments globally. Mr. Lie Ken Jie holds a Master's degree in Finance and a Master's degree in Civil Engineering, both from Imperial College London in the United Kingdom.

## SUPPLEMENTARY CORPORATE INFORMATION (Continued)

### (A) Biographical Details of Directors and Senior Management (Continued)

#### (i) Directors (Continued)

**Ms. NG Yuk Mui Jessica** *(Age: 42)*

Ms. Ng was appointed as a non-executive director of the Company in July 2019. She is an executive director, the executive vice chairman, chief executive officer and a member of the executive committee of South China Financial Holdings Limited whose shares are listed on the Main Board of the Stock Exchange, and the executive vice chairman of South China Media group.

She is also a non-executive director of South China Holdings Company Limited whose shares are listed on the Main Board of the Stock Exchange and an executive director and the executive vice chairman of South China Assets Holdings Limited whose shares are listed on the Growth Enterprise Market of the Stock Exchange.

She holds a Bachelor's degree in Law from King's College London, University of London in the United Kingdom and was admitted to the Hong Kong Bar in 2006. She is an associate member of the Chartered Institute of Management Accountants and a member of 12th Hebei Provincial Committee of the Chinese People's Political Consultative Conference.

Ms. Ng is the daughter of Mr. Ng Hung Sang, who, together with his spouse and companies controlled by him, is interested in approximately 10.04% of the total number of issued shares of the Company.

**Mr. Andrew Wah Wai CHIU** *(Age: 32)*

Mr. Chiu was appointed as an executive director of the Company in September 2017. He is also the authorised representative of the Company and a director of certain subsidiaries of the Company. He is the founder and the executive chairman of Land Pacific Limited, Deacon House International Limited and Ariana Social Community Limited. Land Pacific Limited was formed in 2013 is a property development company focusing on residential and commercial developments in South East Asia. Deacon House International Limited formed in 2015 is a hotel company based on Chinese contemporary designs and influences, exemplifying Chinese cultures and traditions with a modern twist. Ariana Social Community Limited formed in 2016 is a community based student housing company with its flagship property in Farringdon, London and projects pipelined in England, Australia and North America.

Mr. Chiu started his career with DTZ Hong Kong in 2008, he joined FECIL, a listed public company in Hong Kong in 2009 and was appointed as the business development manager of FECIL in 2012. He is responsible for property investment and development for FECIL. From 2015, Mr. Chiu serves as the assistant to the chairman of FECIL. He is also a director of Malaysia Land Properties Sdn Bhd, and a non-independent non-executive director of Land & General Berhad, a company whose shares are listed on the Bursa Malaysia. Mr. Chiu was a director and vice chairman of the board of directors of AMTD International Inc., a company listed on both the New York Stock Exchange and the Mainboard of the Singapore Exchange Security Trading Limited up to his resignation in December 2020. He is a member of Hong Kong General Chamber of Commerce and a member of The Real Estate Developers Association of Hong Kong.

Mr. Chiu is the son of Tan Sri Dato' David Chiu, a non-executive director of the Company, and the nephew of the brother-in-law of Mr. Tang Sing Ming Sherman, an independent non-executive director of the Company.

## SUPPLEMENTARY CORPORATE INFORMATION (Continued)

### (A) Biographical Details of Directors and Senior Management (Continued)

#### (i) Directors (Continued)

**Mr. LAM Kin-Fung, Jeffrey** *GBS, JP (Age: 69)*

Mr. Lam was appointed as an independent non-executive director of the Company in September 2017. He is also the chairman and a member of the CC and a member of the NC. Mr. Lam holds a bachelor degree in mechanical engineering from Tufts University in the United States. He has over 40 years of experience in the toy industry and is currently the managing director of Forward Winsome Industries Limited which is engaged in toy manufacturing.

Mr. Lam is an independent non-executive director of Chow Tai Fook Jewellery Group Limited, C C Land Holdings Limited, China Overseas Grand Oceans Group Limited, Wynn Macau, Limited, CWT International Limited, Wing Tai Properties Limited, Analogne Holdings Limited and China Strategic Holdings Limited, all of which are listed public companies in Hong Kong.

Mr. Lam is a member of the National Committee of the Chinese People's Political Consultative Conference. He also holds a number of other public and community service positions including being a non-official member of the Executive Council and a member of the Legislative Council in Hong Kong, a general committee member of the Hong Kong General Chamber of Commerce, the chairman of Independent Commission Against Corruption (ICAC) Complaints Committee, a director of the Hong Kong Mortgage Corporation Limited and a member of the board of directors of Heifer International-Hong Kong.

**Dr. HU Shao Ming Herman** *SBS, JP (Age: 67)*

Dr. Hu, *B.Sc., FCIBSE, FHKIE, MIEEE, C. Eng.*, has been an independent non-executive director of the Company since April 2012. He is also a member of the CC. He is the chairman of Ryoden Development Limited. Dr. Hu has been re-elected as a Deputy to the 13th National People's Congress of the People's Republic of China. He is the vice-chairman of The Chinese General Chamber of Commerce, Hong Kong. He is also a general committee member and chairman of Mainland China Committee of the Employers' Federation of Hong Kong, the Vice-President of the Sports Federation & Olympic Committee of Hong Kong, China, an Honorary Court Member of The Hong Kong University of Science & Technology, a member of the Election Committee of the Government of the Hong Kong Special Administrative Region and the Vice Patron of The Community Chest of Hong Kong. He was awarded the Honour of Silver Bauhinia Star (SBS) by the Government of the Hong Kong Special Administrative Region of the People's Republic of China on 30 June 2017.

## SUPPLEMENTARY CORPORATE INFORMATION (Continued)

### (A) Biographical Details of Directors and Senior Management (Continued)

#### (i) Directors (Continued)

**Mr. LUK Koon Hoo, Roger** *BBS, JP (Age: 69)*

Mr. Luk, *FHKIB*, has been an independent non-executive director of the Company since September 2010. He also serves as the chairman and a member of the AC and a member of each of the CC and NC. 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 of four companies publicly listed in Hong Kong, namely, China Properties Group Limited, Computime Group Limited, Hung Hing Printing Group Limited and Harbour Centre Development Limited. Mr. Luk was formerly an independent non-executive director of Wheelock Properties Limited, formerly a listed public company until it became a wholly-owned subsidiary of Wheelock and Company Limited in July 2010, from February 2008 to July 2010. He also serves as a council member of The Chinese University of Hong Kong and a non-executive director (non-official) of Urban Renewal Authority. 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, the Barristers Disciplinary Tribunal Panel, the Operations Review Committee of ICAC and the Town Planning Board. 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 a fellow of The Hong Kong Institute of Bankers. 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.

**Mr. TANG Sing Ming Sherman** *(Age: 64)*

Mr. Tang has been appointed an independent non-executive director of the Company since January 2014. He is also a member of the AC. He holds a Master degree in Electrical Engineering and a degree of Doctor in Medicine from the University of Southern California, the United States of America. Mr. Tang is a seasoned entrepreneur in the hospitality industry and has over 20 years of experience in investment and operation of restaurants, cafes and bars. He is the founder and owner of the Epicurean Group and also served as the chairman and chief executive officer of Epicurean and Company, Limited (now known as StarGlory Holdings Company Limited), a listed public company in Hong Kong, until his resignation in November 2016.

Mr. Tang is the brother of the sister-in-law of Tan Sri Dato' David Chiu, a non-executive director of the Company, and the brother of the aunt of Mr. Andrew Wah Wai Chiu, an executive director of the Company.

## SUPPLEMENTARY CORPORATE INFORMATION (Continued)

### (A) Biographical Details of Directors and Senior Management (Continued)

#### (ii) Senior Management

**Mr. KWOK Chi Kin**, *Chief Financial Officer and Company Secretary (Age: 44)*

Mr. Kwok joined the Group in September 2017 and he is the Chief Financial Officer and the Company Secretary of the Company. He is also the authorised representative of the Company. He is responsible for the accounting and financial management, company secretarial matters and corporate governance functions of the Group. Mr. Kwok obtained his Bachelor of Business Administration in Finance with First Class Honours from The Hong Kong University of Science and Technology. He is a fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, a Chartered Secretary, a Chartered Governance Professional and an associate member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute. He has over 20 years of experience in auditing, accounting and financial management, company secretarial practice, and corporate governance. Prior to joining the Group, he worked for an international accounting firm and was the chief financial officer and the company secretary of International Entertainment Corporation, a company listed on the Main Board of the Stock Exchange, from May 2004 to June 2017.

**Mr. CHAN Wai Man**, *Chief Technology Officer (Age: 55)*

Mr. Chan has been appointed as the Chief Technology Officer of the Company in July 2019. Mr. Chan joined the Group in September 1993. At the time that he joined the Group in 1993, he was responsible for the operations and technical support of television broadcasting system. Throughout his career with the Group, he gained extensive experience in television broadcasting, telecommunications and data communication engineering. He was appointed as Vice President, Network Operations in July 2014. In March 2018, Mr. Chan was promoted to Senior Vice President, Network and Engineering Operations, responsible for the development and operation of the Group's television broadcasting and broadband distribution networks, as well as the New Media and Management Information Systems. He is also a director of certain subsidiaries of the Company. Mr. Chan holds a Bachelor of Engineering degree (First Class Honours) and a Master of Science degree in Electronic Engineering.

羅兵咸永道

To the members of i-CABLE Communications Limited
*(incorporated in Hong Kong with limited liability)*

## OPINION

### What we have audited

The consolidated financial statements of i-CABLE Communications Limited (the "Company"), its subsidiaries and its consolidated structured entities (the "Group") set out on pages 86 to 151, which comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

### Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Assessment of going concern assumption
- Assessment of impairment or property, plant & equipment ("PP&E"), right-of-use assets, programming library and other related intangible assets
- Assessment of the recoverability of recognised deferred tax assets

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **Assessment of going concern assumption**<br><br>Refer to Note 2 to the consolidated financial statements.<br><br>During the year ended 31 December 2020 the Group recorded a net loss of HK$275 million (2019: HK$397 million) and net current liabilities of HK$413 million as at 31 December 2020 (2019: HK$252 million).<br><br>Included in its current liabilities was an interest-bearing borrowing of HK$295 million drawn from a banking facility of HK$400 million which was immediately repayable on demand and subject to review at any time from the date of this report and in any event not less than annually from the last review date.<br><br>These factors casted doubt on the Group's ability to continue as a going concern. The Directors reviewed the Group's cash flow projection (including both base case and downside scenarios) in the going concern assessment prepared by management which covered for a period of not less than twelve months from 31 December 2020 ("Forecast Period") and have taken into account the following plans and measures and considered that it is appropriate to prepare the consolidated financial statements on a going concern basis: | Our audit procedures to assess the appropriateness of management's preparation of the consolidated financial statements on a going concern basis, included the following:<br><br>• Understanding management's controls and processes in relation to the preparation of cash flow projection and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgement involved in preparing the cash flow projection for the purpose of going concern assessment;<br><br>• Obtaining management's cash flow projection and discussing with senior management to understand their future operation plans in the Forecast Period;<br><br>• Comparing the key assumptions used, including the revenue growth rate, estimated operating expenses, with historical trend and new business plans to challenge the reasonableness of the key assumptions adopted by management in the Forecast Period;<br><br>• Enquiring management of the availability of financing facilities, other recourse to financing and proposed fund raising activities; |

## KEY AUDIT MATTERS (Continued)

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| (1) The Group expected to complete the issue of the unlisted long-term convertible bonds of HK$200 million to Forever Top (Asia) Limited ("Forever Top") which holds 43.2% shareholding of the Company in late March 2021.<br><br>(2) The banking facility will be successfully renewed such that the outstanding loan balance of HK$295 million will be rolled over with substantially the same terms as the current facility;<br><br>(3) There have been continuing progress and achievements of the organisational restructuring which include cost saving initiatives, introduction of new contents, cooperation model with other partners and strategic review of its business portfolio;<br><br>(4) Forever Top which is financially supported by its beneficial shareholders, has also confirmed its intention to provide further financial support, from time to time as and when is necessary to the Group in the next twelve months from 31 December 2020.<br><br>As the going concern assessment involved significant judgements and estimates made by management as disclosed in the consolidated financial statements, we determined this area to be a key audit matter. | • Inspecting all the relevant supporting information and agreements to confirm the availability of the financing facilities, financial support and other sources of financing (if any);<br><br>• Assessing evidence provided by management as well as other corroborating evidence in evaluating whether Forever Top is financially capable to provide financial support to the Group;<br><br>• Evaluating management's sensitivity analyses around the key assumptions in the cash flow projection, to ascertain that the extent and likelihood of such changes have been appropriately considered; and<br><br>• Considering whether the disclosures relating to going concern included in the consolidated financial statements are appropriate.<br><br>Based on our work, we found that the key assumptions used in the management's cash flow projection were supported by the available evidence. |

## KEY AUDIT MATTERS (Continued)

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **Assessment of impairment of PP&E, right-of-use assets, programming library and other related intangible assets**<br><br>Refer to Notes 4(b), 13, 14, 15 and 16 to the consolidated financial statements.<br><br>The carrying values of PP&E, right-of-use assets, the programming library and other related intangible assets as at 31 December 2020 were HK$704 million, HK$112 million, HK$71 million and HK$15 million, respectively. The Group incurred a loss for the year ended 31 December 2020 of HK$275 million (2019: HK$397 million). Accordingly, management considered that there were indicators of potential impairment of PP&E, right-of-use assets, programming library and other related intangible assets.<br><br>Management has performed an impairment assessment as at 31 December 2020 with reference to valuation performed by an independent professional valuer which has incorporated management's cash flow forecasts. The recoverable amount of an asset or a cash generating unit ("CGU") is the greater of its value in use and fair value less costs of disposal. The impairment assessment prepared by management uses the value in use model to determine the recoverable amount of the CGU to which these assets are allocated. The CGU identified for impairment assessment of PP&E, right-of-use assets, programming library and other related intangible assets is the Group as a whole. | Our audit procedures to assess the impairment of PP&E, right-of-use assets, programming library and other related intangible assets included the following:<br><br>• Understanding management's controls and processes in relation to the preparation of impairment assessment and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgement on key assumptions used in preparing the cash flow forecast for the purpose of impairment assessment;<br><br>• Evaluating management's identification of CGU and whether the assets generate cash inflows that are largely independent, based on our understanding of the Group's business;<br><br>• Evaluating the valuer's independence, competence, capabilities and objectivity;<br><br>• Discussing with the valuer the valuation approach, key assumptions, methodology used in the valuation of the CGU;<br><br>• Comparing the historical accuracy of management's forecasts to actual results to assess the reliability of management's forecasts; |

## KEY AUDIT MATTERS (Continued)

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| Value in use is calculated by preparing discounted cash flows for the CGU. Significant management judgement was involved in the identification of CGUs, whether cash inflows are largely independent and in determining the key assumptions adopted in the cash flow forecast, including forecast revenue, forecast programming costs, forecast network and other expenses, annual growth rates, long term growth rate and discount rates under the value in use calculation. There was no impairment loss identified based on this impairment assessment.<br><br>We focused on this area because the impairment assessments prepared by management require significant judgement and estimates. | • Reconciling input data in the discounted cash flow forecasts to supporting evidence, such as checking the cash flows to the approved budgets, assessing the annual growth rate against Group's business development plans and benchmarking the long term growth rate and the discount rate with industry comparables and involving our valuation experts to evaluate the reasonableness of these inputs against our knowledge of the industry and the Group;<br><br>• Testing the mathematical accuracy of the discounted cash flow model; and<br><br>• Evaluating management's sensitivity analyses around the key assumptions, to ascertain the extent to which adverse changes, both individually or in aggregate, would indicate that the PP&E, right-of-use assets, programming library and other related intangible assets were impaired.<br><br>Based on our work, we found that the key assumptions adopted in relation to this impairment assessment were supported by the available evidence. |

## KEY AUDIT MATTERS (Continued)

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **Assessment of the recoverability of recognised deferred tax assets**<br><br>Refer to Notes 4(a) and 27(b) to the consolidated financial statements.<br><br>As at 31 December 2020, the Group had recognised net deferred tax assets of HK$301 million, for which deferred tax assets of HK$351 million relate to the future benefit of unutilised tax losses without expiry date. For the year ended 31 December 2020, the Group incurred a consolidated loss before taxation of HK$275 million which may indicate that the recognised deferred tax assets may not be recoverable, in whole or in part.<br><br>With a history of recent losses, management recognises deferred tax assets in respect of the future benefit of unutilised tax losses for individual entities, to the extent that the entities have sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profits will be available against which the tax losses can be utilised by the entities.<br><br>The determination of the recoverability of deferred tax assets requires significant management judgement in estimating and evaluating the likelihood of future taxable profits (including forecast revenue and forecast expenses) and the timing of utilisation of the tax losses. We focused on this area because of the inherent uncertainties involved in forecasting future taxable profits. | Our audit procedures to assess the recoverability of recognised deferred tax assets included the following:<br><br>• Understanding management's controls and processes in relation to the preparation of the assessment of the recoverability of recognised deferred tax assets and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgement involved in estimating the forecasts of the Group's profit or loss and the forecasts of future taxable profits of the relevant entities with the deferred tax assets;<br><br>• Assessing management's forecast results of the Group against the new business development, approved business plans, signed contracts of different sources of income and the trends of customer bases;<br><br>• Comparing the key assumptions in the forecasts of taxable profits of the relevant entities with those used in the Group's forecast results to ensure consistencies between the forecasts, and testing the mathematical accuracy of the forecasts;<br><br>• Challenging management's key assumptions in the forecasts of the probable future taxable profits of the relevant entities and the periods over which management expects the tax losses to be utilised by the entities and evaluating the historical profitability, future profitability, loss utilisation trends and availability of tax losses recognised for the relevant entities taking into account any unsettled disputes or queries raised by the relevant tax authorities; and<br><br>• Evaluating and challenging management's sensitivity analyses around the key assumptions adopted in the forecasts to ascertain the extent to which adverse changes would indicate that there were insufficient taxable profits in the future to support the recognition of deferred tax assets.<br><br>Based on our work, we found that the recoverability of recognised deferred tax assets was supported by the available evidence. |

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibility of overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguard applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Ka Yee.

**PricewaterhouseCoopers**
Certified Public Accountants

Hong Kong, 30 March 2021

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

| | Note | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|---|
| Revenue | 6, 7 | **1,068,977** | 1,160,837 |
| Cost of services | | | |
| — Programming costs | | **(591,424)** | (739,268) |
| — Network expenses | | **(295,894)** | (320,790) |
| — Cost of sales | | **(125,166)** | (124,267) |
| Selling, general and administrative and other operating expenses | | **(290,939)** | (340,647) |
| **Loss from operations** | | **(234,446)** | (364,135) |
| Interest income | | **423** | 4,870 |
| Finance costs | | **(41,258)** | (37,807) |
| Non-operating income | | **417** | 393 |
| **Loss before taxation** | 8 | **(274,864)** | (396,679) |
| Income tax | 9(a) | **(523)** | (287) |
| **Loss for the year** | | **(275,387)** | (396,966) |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **(275,387)** | (396,966) |
| **Loss per share** | | | |
| Basic | 12 | **(3.9) HK cents** | (5.9) HK cents |
| Diluted | | **(3.9) HK cents** | (5.9) HK cents |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| **Loss for the year** | **(275,387)** | (396,966) |
| **Other comprehensive income for the year** | | |
| *Item that may be reclassified subsequently to profit or loss:* | | |
| Currency translation difference | **537** | (74) |
| **Total comprehensive income for the year** | **(274,850)** | (397,040) |
| **Attributable to:** | | |
| Equity shareholders of the Company | **(274,850)** | (397,040) |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

| | Note | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | *13* | **704,304** | 787,072 |
| Right-of-use assets | *14* | **112,203** | 124,308 |
| Programming library | *15* | **70,888** | 80,993 |
| Other intangible assets | *16* | **15,737** | 19,340 |
| Contract acquisition costs | | **7,071** | 10,174 |
| Interest in an associate | *17* | **–** | – |
| Deferred tax assets | *27(b)* | **300,525** | 300,525 |
| Deposits, prepayments and other receivables | | **26,525** | 27,561 |
| | | **1,237,253** | 1,349,973 |
| **Current assets** | | | |
| Inventories | *19* | **9,980** | 12,020 |
| Trade receivables and contract assets | *20* | **112,299** | 106,474 |
| Deposits, prepayments and other receivables | | **67,153** | 76,862 |
| Contract acquisition costs | | **13,622** | 18,433 |
| Financial assets at fair value through profit or loss | *21* | **–** | 54,766 |
| Restricted bank balances | *22* | **10,550** | 18,320 |
| Cash and bank balances | *22* | **157,423** | 241,899 |
| | | **371,027** | 528,774 |
| **Total assets** | | **1,608,280** | 1,878,747 |
| **EQUITY** | | | |
| **Capital and reserves** | | | |
| Share capital | *26(c)* | **7,928,975** | 7,928,975 |
| Reserves | | **(7,563,808)** | (7,288,958) |
| **Total equity** | | **365,167** | 640,017 |

As at 31 December 2020

| | Note | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Convertible bonds | *25* | **368,881** | 352,587 |
| Lease liabilities | *14* | **68,051** | 83,280 |
| Other non-current liabilities | | **22,068** | 22,068 |
| | | **459,000** | 457,935 |
| **Current liabilities** | | | |
| Trade payables | *23* | **69,126** | 39,220 |
| Accrued expenses and other payables | *23* | **246,319** | 230,242 |
| Receipts in advance and customers' deposits | *23* | **132,065** | 134,671 |
| Interest-bearing borrowings | *24* | **295,000** | 345,000 |
| Lease liabilities | *14* | **41,535** | 31,599 |
| Current tax liabilities | *27(a)* | **68** | 63 |
| | | **784,113** | 780,795 |
| **Total liabilities** | | **1,243,113** | 1,238,730 |
| **Total equity and liabilities** | | **1,608,280** | 1,878,747 |

The notes on pages 94 to 151 form part of these consolidated financial statements.

Approved and authorised for issue by the Board of Directors on 30 March 2021.

**Tan Sri Dato' David Chiu**
*Director*

**Dr. Cheng Kar-Shun, Henry**
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

| | Attributable to equity shareholders of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Capital reserve HK$'000 | Exchange reserve HK$'000 | Accumulated losses HK$'000 | Share option reserve HK$'000 | Equity component of convertible bonds HK$'000 | Total reserves HK$'000 | Total equity HK$'000 |
| **Balance at 1 January 2020** | 7,928,975 | 13,985 | 2,527 | (7,548,632) | 18,881 | 224,281 | (7,288,958) | 640,017 |
| Loss for the year | – | – | – | (275,387) | – | – | (275,387) | (275,387) |
| Other comprehensive income | – | – | 537 | – | – | – | 537 | 537 |
| **Total comprehensive income for the year** | – | – | 537 | (275,387) | – | – | (274,850) | (274,850) |
| **Transactions with owners** | | | | | | | | |
| Transfer of reserve upon lapse of share option | – | – | – | 1,413 | (1,413) | – | – | – |
| **Total transactions with owners** | – | – | – | 1,413 | (1,413) | – | – | – |
| **Balance at 31 December 2020** | 7,928,975 | 13,985 | 3,064 | (7,822,606) | 17,468 | 224,281 | (7,563,808) | 365,167 |

For the year ended 31 December 2020

| | Attributable to equity shareholders of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Capital reserve HK$'000 | Exchange reserve HK$'000 | Accumulated losses HK$'000 | Share option reserve HK$'000 | Equity component of convertible bonds HK$'000 | Total reserves HK$'000 | Total equity HK$'000 |
| **Balance at 1 January 2019** | 7,844,472 | 13,985 | 2,601 | (7,153,556) | 16,038 | – | (7,120,932) | 723,540 |
| Loss for the year | – | – | – | (396,966) | – | – | (396,966) | (396,966) |
| Other comprehensive income | – | – | (74) | – | – | – | (74) | (74) |
| **Total comprehensive income for the year** | – | – | (74) | (396,966) | – | – | (397,040) | (397,040) |
| **Transactions with owners** | | | | | | | | |
| Issue of convertible bonds | – | – | – | – | – | 224,281 | 224,281 | 224,281 |
| Shares issued under rights issue | 92,860 | – | – | – | – | – | – | 92,860 |
| Transaction costs incurred in respect of rights issue | (8,357) | – | – | – | – | – | – | (8,357) |
| Share option expense | – | – | – | – | 4,733 | – | 4,733 | 4,733 |
| Transfer of reserve upon lapse of share option | – | – | – | 1,890 | (1,890) | – | – | – |
| **Total transactions with owners** | 84,503 | – | – | 1,890 | 2,843 | 224,281 | 229,014 | 313,517 |
| **Balance at 31 December 2019** | 7,928,975 | 13,985 | 2,527 | (7,548,632) | 18,881 | 224,281 | (7,288,958) | 640,017 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

| | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Loss before taxation | **(274,864)** | (396,679) |
| | | |
| Adjustments for: | | |
| Finance costs | **41,258** | 37,807 |
| Interest income | **(423)** | (4,870) |
| Depreciation | **220,220** | 225,961 |
| Amortisation of programming library | **52,803** | 71,677 |
| Amortisation of other intangible assets | **4,054** | 1,610 |
| Amortisation of contract acquisition costs | **24,151** | 29,481 |
| Share option expense | **–** | 4,733 |
| Net gain on disposal of property, plant and equipment | **(96)** | (167) |
| Fair value gains on financial assets at fair value through profit or loss | **–** | (166) |
| Net loss allowance on trade receivables | **1,859** | 4,275 |
| Write down of inventories | **812** | 1,170 |
| Gain on modification of lease contracts | **(11)** | (169) |
| Gain on disposal of financial assets at fair value through profit or loss | **(293)** | – |
| Gain on disposal of a subsidiary | **(17)** | – |
| | | |
| **Operating profit/(loss) before changes in working capital** | **69,453** | (25,337) |
| | | |
| Decrease/(increase) in inventories | **1,228** | (3,058) |
| Increase in trade receivables and contract assets | **(7,684)** | (52,345) |
| Decrease/(increase) in deposits, prepayments and other receivables | **10,455** | (21,773) |
| Increase in contract acquisition costs paid | **(16,237)** | (19,028) |
| Increase/(decrease) in trade payables | **29,950** | (9,635) |
| Increase/(decrease) in accrued expenses and other payables | **32,206** | (15,884) |
| Decrease in receipts in advance and customers' deposits | **(2,606)** | (4,999) |
| | | |
| **Cash flows generated from/(used in) operation** | **116,765** | (152,059) |
| Tax paid | **(518)** | (296) |
| Interest elements of lease payments | **(6,289)** | (7,867) |
| | | |
| **Net cash from/(used in) operating activities** | **109,958** | (160,222) |

For the year ended 31 December 2020

| | Note | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | **(108,383)** | (136,182) |
| Additions to programming library | | **(50,784)** | (38,198) |
| Additions to other intangible assets | | **(606)** | (7,332) |
| Proceeds from disposal of a subsidiary | *18(b)* | **99** | – |
| Proceeds from disposal of property, plant and equipment | | **500** | 1,875 |
| Proceeds from disposal of financial assets at fair value through profit or loss | | **55,059** | – |
| Purchase of financial assets at fair value through profit or loss | | **–** | (54,600) |
| Interest received | | **925** | 4,469 |
| **Net cash used in investing activities** | | **(103,190)** | (229,968) |
| **Cash flows from financing activities** | | | |
| Repayment of interest-bearing borrowings | *28* | **(50,000)** | (150,000) |
| Decrease in restricted bank balances | | **7,770** | – |
| Proceeds from issue of shares upon rights issue | *26(c)(iii)* | **–** | 92,860 |
| Transaction costs upon issue of shares under rights issue | *26(c)(iii)* | **–** | (8,357) |
| Proceeds from issue of convertible bonds | *28* | **–** | 568,000 |
| Principal elements of lease payments | *28* | **(30,391)** | (28,016) |
| Finance costs paid | | **(18,675)** | (20,220) |
| **Net cash (used in)/from financing activities** | | **(91,296)** | 454,267 |
| **Net (decrease)/increase in cash and cash equivalents** | | **(84,528)** | 64,077 |
| **Cash and cash equivalents at 1 January** | | **241,899** | 177,815 |
| **Effect of foreign exchange rates changes** | | **52** | 7 |
| **Cash and cash equivalents at 31 December** | | **157,423** | 241,899 |

## 1. GENERAL INFORMATION

i-CABLE Communications Limited (the "Company") is a limited liability company incorporated in Hong Kong. The address of its registered office in Hong Kong is 7th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, Hong Kong.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company, its subsidiaries and consolidated structured entities (together the "Group") are engaged in television subscription business, domestic free television programme services, advertising, channel carriage, television relay service, programme licensing, theatrical release, other television related businesses, broadband internet access services, portal operation, mobile content licensing, telephony services, network leasing, network construction, mobile service and mobile agency service as well as other internet access related businesses.

The consolidated financial statements have been approved by the board of directors (the "Directors") of the Company on 30 March 2021.

## 2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss ("FVTPL"), which are measured at fair value.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 below.

During the year ended 31 December 2020, the Group incurred a net loss of HK$275 million (2019: HK$397 million) and as at 31 December 2020, the Group's current liabilities exceeded its current assets by HK$413 million (31 December 2019: HK$252 million). Included in its current liabilities was an interest-bearing borrowing of HK$295 million drawn from a banking facility of HK$400 million which is immediately repayable on demand and subject to review at any time from the date of this report.

## 2. BASIS OF PREPARATION (Continued)

In preparing the consolidated financial statements, the Directors have given careful consideration of the liquidity requirement for the Group's operations, the performance of the Group and available sources of financing in assessing whether the Group has sufficient financial resources to continue as a going concern. The Directors have reviewed the Group's cash flow projections prepared by management which covers a period of not less than twelve months from 31 December 2020. The Directors have taken into account the following plans and measures in assessing the sufficiency of working capital requirements in the foreseeable future:

1. The Group expected to complete the issue of the unlisted long-term convertible bonds of HK$200 million (the "2021 LCS") to Forever Top (Asia) Limited ("Forever Top") which holds 43.2% shareholding of the Company in late March 2021. The subscription agreement in relation to the 2021 LCS and the transactions contemplated thereunder were approved by the independent shareholders of the Company in the general meeting of the Company held on 23 March 2021.

2. The banking facility was renewed in mid-March 2019. As the facility is subject to review at any time from the date of this report, the Directors expect the revolving bank loan facility will be successfully renewed such that the outstanding loan balance of HK$295 million will be rolled over with substantially the same terms as the current facility, which also include the bank's overriding right to demand repayment.

3. There have been continuing progress and achievements of the organisational restructuring which include cost saving initiatives, introduction of new contents, cooperation model with other partners and strategic review of its business portfolio.

4. Forever Top has also confirmed its intention to provide further financial support, from time to time as and when is necessary to the Group in the next twelve months from 31 December 2020. Taking into account the fact that (i) Forever Top has provided continuous financial support to the Group since it became the largest shareholder of the Company in September 2017; and (ii) based on the documents and information currently available and having made all necessary enquiries, nothing came to the attention of the Directors to cause them to believe that Forever Top is unable to provide financial support as and when is required by the Group in the next twelve months from 31 December 2020.

Based on the cash flow projections and taking into account reasonable possible downside changes to the cash flow assumptions in the cash flow projections for the period ending 31 December 2021, the expected completion of the issue of the unlisted long-term convertible bonds with principal amount of HK$200 million to Forever Top, the continuous availability of existing banking facility, and from time to time as and when is necessary, the financial support from Forever Top, the Directors consider that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in coming twelve months from 31 December 2020. Accordingly, the Directors consider it is appropriate to prepare the consolidated financial statements on a going concern basis.

## 2. BASIS OF PREPARATION (Continued)

### (a) Amendments to standards and revised framework effective in the current accounting period

During the year ended 31 December 2020, the Group has adopted the following amendments to standards and revised framework which are relevant to the Group's operations and are mandatory for accounting periods beginning on 1 January 2020:

| | |
|---|---|
| HKFRS 3 (Amendments) | Definition of a Business |
| HKAS 1 and HKAS 8 (Amendments) | Definition of Material |
| Conceptual Framework for Financial Report 2018 | Revised Conceptual Framework for Financial Reporting |

The adoption of these amendments to standards and revised framework does not have any significant change to the accounting policies or any significant effect on the results and financial position of the Group.

### (b) New standard, amendments to standards, accounting guideline and interpretation that are not yet effective and have not been early adopted by the Group

The following new standard, amendments to standards, accounting guideline and interpretation have been published which are mandatory for the Group's accounting periods beginning on or after 1 January 2021 but have not been early adopted by the Group:

| | |
|---|---|
| HKFRS 17 | Insurance Contracts[4] |
| HKFRS 3 (Amendments) | Reference to the Conceptual Framework[6] |
| HKFRS 10 and HKAS 28 (Amendments) | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5] |
| HKFRS 16 (Amendments) | COVID-19-Related Rent Concessions[1] |
| HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendments) | Interest Rate Benchmark Reform Phase 2[2] |
| HKAS 1 (Amendments) | Classification of Liabilities as Current or Non-Current[4] |
| HKAS 16 (Amendments) | Property, Plant and Equipment — Proceeds before Intended Use[3] |
| HKAS 37 (Amendments) | Onerous Contract — Cost of Fulfilling a Contract[3] |
| Annual Improvements | Annual Improvement to HKFRSs 2018–2020 Cycle[3] |
| Accounting Guideline 5 (Revised) | Merger Accounting for Common Control Combinations[3] |
| Hong Kong Interpretation 5 (2020) | Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[4] |

(1) *Effective for annual periods beginning on or after 1 June 2020*

(2) *Effective for annual periods beginning on or after 1 January 2021*

(3) *Effective for annual periods beginning on or after 1 January 2022*

(4) *Effective for annual periods beginning on or after 1 January 2023*

(5) *Effective date is to be determined*

(6) *Effective for business combinations for which the acquisition date is on or after the beginning of the first accounting periods beginning on or after 1 January 2022*

## 2. BASIS OF PREPARATION (Continued)

### (b) New standard, amendments to standards, accounting guideline and interpretation that are not yet effective and have not been early adopted by the Group (Continued)

The Group has already commenced an assessment of the impact of these new standard, amendments to standards, accounting guideline and interpretation, and does not expect that they would have any significant impact on its results and financial position.

## 3. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted for the preparation of these consolidated financial statements, which have been consistently applied to all the years presented, unless otherwise stated, are set out below:

### (a) Consolidation

The consolidated financial statements incorporate the financial statements of the Company and all of its subsidiaries made up to 31 December.

#### (i) Subsidiaries

Subsidiaries are all entities (including consolidated structured entities) controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which controls is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group balances, transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements of the Group. 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. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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 gain or loss is recognised in profit or loss.

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 or, when appropriate, the cost on initial recognition of an investment in an associate.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 3(p)(ii)).

## 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (a) Consolidation (Continued)

#### (ii) 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 of the Group 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 Note 3(p)(ii)). 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 statement of profit or loss, 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 other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to HK$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.

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.

In the Company's statement of financial position, investment in an associate is stated at cost less impairment losses (see Note 3(p)(ii)).

## 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (b) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 3(p)(ii)). The cost of self-constructed items of property, plant and equipment includes the cost of 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 production overheads and borrowing costs (see Note 3(k)).

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

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives at annual rates as follows:

| | |
|---|---|
| Network assets and television production systems | 5% to 25% |
| 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 | Over the lease term |

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 management considers impracticable to split the cost into land and buildings. Thus, depreciation is provided at 2.5% to write off the cost of the properties held by the Group.*

## 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (c) Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments), less any lease incentives receivable. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The Group determines the incremental borrowing rate by using recent third-party financing received with adjustments specific to the term of the leases.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Lease income from operating leases where the Group is a lessor is recognised in the consolidated statement of profit or loss on a straight-line basis over the lease term. The respective leased assets are included in the consolidated statement of financial position based on their nature.

## 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (d) Programming costs

#### (i) Programming library

Programming library consists of presentation rights for acquired programmes for showing on the Group's television channels, film rights and films in progress produced by the Group and perpetual film rights acquired by the Group.

Presentation rights for acquired programmes are capitalised as intangible assets and stated in the consolidated statement of financial position of the Group at cost less accumulated amortisation and accumulated impairment losses (see Note 3(p)(ii)). Amortisation is charged to profit or loss in accordance with a formula on an accelerated basis over a maximum of three transmissions. Subsequent expenditure, which may include subtitling costs and dubbing costs, on programmes after initial acquisition is recognised as an expense when incurred unless it is probable that the expenditure would enable the programmes to generate future economic benefits in excess of their originally assessed standard of performance and the expenditure could be measured and attributed to the assets reliably.

Film rights produced by the Group and perpetual film rights acquired by the Group are capitalised as intangible assets and stated at cost less accumulated amortisation and accumulated impairment losses (see Note 3(p)(ii)). Costs of film rights produced by the Group and perpetual film rights acquired by the Group represent the carrying value transferred from films in progress upon completion and the purchase price of the perpetual film rights respectively. Amortisation is charged to profit or loss over the expected number of future showings.

Films in progress are stated at cost less accumulated impairment losses (see Note 3(p)(ii)). Costs include all direct costs associated with the production of films. Costs of films are transferred to film rights upon completion.

#### (ii) Live programmes and in-house developed programmes

Live programmes consist of third party feed programmes while in-house developed programmes consist primarily of news, documentary and general entertainment programmes with short lead-time from production to telecast. The costs of both types of programmes are charged to profit or loss upon telecast. Payments of programme costs made in advance or in arrears are recorded as prepayments or accruals, as appropriate.

## 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (e) Other intangible assets

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite useful 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 the end of each 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. An intangible asset with an indefinite useful 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 consolidated statement of financial position of the Group at cost less impairment losses (see Note 3(p)(ii)).

#### (ii) Computer software development costs

The Group's computer software development costs are stated in the consolidated statement of financial position of the Group at cost less accumulated amortisation and impairment losses (see Note 3(p)(ii)). Computer software development costs are amortised on a straight-line basis over the estimated useful life of 5 years.

Computer software development costs that are directly attributable to the design and testing of the identifiable software products controlled by the Group are capitalised as intangible assets if the following criteria are met:

— it is technically feasible to complete the software so that it will be available for use;

— management intends to complete the software and use (or sell) it;

— adequate technical, financial and other resources are available to complete the development and to use the software;

— the costs attributable to acquisition, development and enhancement of the software can be reliably measured; and

— the Group has power to obtain future economic benefits flowing from the underlying resource.

Capitalised development costs are incurred as intangible assets and amortised from the point at which the asset is ready for use.

Computer software development costs that do not meet the above criteria are expensed in the consolidated statement of profit or loss as incurred.

## 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (f) Inventories

Inventories are carried 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 the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### (g) Financial instruments

#### (i) Recognition and initial measurement

The Group initially recognises trade and other receivables, trade and other payables, deposits and borrowings on the date on which they are originated. All other financial instruments are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability (unless it is trade and other receivables without a significant financing component) is measured initially at fair value plus, in the case of an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. Transaction costs of financial assets or liabilities carried at FVTPL are expensed in profit or loss. Trade and other receivables without a significant financing component are initially measured at transaction price.

#### (ii) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income ("FVOCI") or FVTPL. Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Group changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

— the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

— the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Trade and other receivables, including balances due from group companies are classified as financial assets at amortised cost. All other financial assets are classified and measured at fair values.

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. Financial assets at FVTPL and FVOCI are subsequently measured at fair values. Changes in fair values of financial assets at FVTPL are recognised in the consolidated statement of profit or loss.

## 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (g) Financial instruments (Continued)

#### (ii) Classification and subsequent measurement (Continued)

Financial liabilities are classified as measured at amortised cost or FVTPL. Financial liabilities at amortised cost are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss. Trade and other payables, including balances due to group companies, interest-bearing borrowings and convertible bonds are classified as financial liabilities at amortised cost. The Group does not have financial liability measured at FVTPL.

#### (iii) Derecognition

*Financial assets*

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Group enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In such cases, the transferred assets are not derecognised.

*Financial liabilities*

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

#### (iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under HKFRSs, or for gains and losses arising from a group of similar transactions such as in the Group’s trading activity.

### (h) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, demand deposits with banks, 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 of the Group.

## 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (i) Revenue recognition

The Group recognises different types of revenue, as follows:

(i) The Group enters into individual or packaged and fixed price subscription sale contracts with customers in which, it may include single or multiple elements of subscription television services, broadband internet access services and telephony services. Under such arrangements, the total transaction price receivable from customers is allocated among the Group's performance obligations on a relative standalone selling price basis. The Group estimates the standalone selling price at contract inception based on the observable retail prices of the respective performance obligations in similar circumstances to similar customers. Revenue allocated to the subscription television services, broadband internet access services and telephony services is recognised over time when the services are provided, which is generally over the contract period. In general, customers are invoiced according to agreed billing schedules set out in the customer contracts, invoices are usually billable in advance of the services to be rendered and are due for payments within 15 days.

(ii) Advertising revenue net of agency deductions is recognised on telecast of the advertisement. When an advertising contract covers a specified period, the related revenue is recognised evenly over the specified period. Customers are invoiced according to agreed billing schedules, in advance of the advertising services, with payments due within 30 days. In case of non-cash consideration under barter transactions, the fair value of the non-cash consideration is measured at the inception of contracts. If the fair value cannot be reasonably estimated, the Group measures consideration indirectly by reference to the standalone selling price of the services promised to the customer in exchange for the consideration.

(iii) Revenue from network construction service contract is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation using input method.

(iv) Revenue from rendering mobile agency services and mobile services is recognised when the services have been rendered. Variable fees are recognised only to the extent that it is highly probable that a significant reversal will not occur.

(v) Revenue from network leasing is recognised over time on a straight line basis.

(vi) Revenue from theatrical distributions is recognised when the films are exhibited.

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

(viii) Income from licensing of television rights is recognised in full upon delivery of the programmes concerned in accordance with the terms of the licence contracts.

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

(x) 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.

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

## 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (i) Revenue recognition (Continued)

Incremental costs incurred to obtain a contract with a customer are capitalised as contract acquisition costs if the Group expects to recover these costs. Costs of obtaining a contract are amortised on a straight-line basis over the terms of the specific contracts. As a practical expedient, the Group recognises the incremental cost of obtaining a contract as an expenses when incurred if the amortisation period of the asset that the Group otherwise would have recognised in one year or less.

The period between the transfer of promised goods and services to the customers and payments by customers usually is within one year, as a result, there is no financing component which requires adjustment of the transaction prices for the time value of money.

If the payments by customers exceed the services rendered, a contract liability is recognised as receipts in advance on the consolidated statement of financial position. If the services rendered exceed the payments by customers and unconditional rights to contract consideration to date, a contract asset is recognised on the consolidated statement of financial position.

### (j) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

### (k) 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 or sale 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 or sale are interrupted or complete.

## 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (l) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of share options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted at the date of grant, excluding the impact of any non-market vesting conditions. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the consolidated statement of profit or loss, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised. On lapse of share options according to the plan, corresponding amount recognised in share option reserve is transferred to retained profits.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

### (m) 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 substantively 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.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. 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.

## 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (m) Income tax (Continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from 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 foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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 the end of each 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 of part or all of that deferred tax asset to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available. 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 entity has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

(i) In the case of current tax assets and liabilities, the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

(ii) In the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

    (1) the same taxable entity; or

    (2) 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.

## 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (n) Translation of foreign currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollar. The Company's functional currency is Hong Kong dollar.

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 values are translated using the foreign exchange rates ruling at the dates the fair value was measured.

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 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.

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.

### (o) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

(1) has control or joint control over the Group;

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of the Group or the Group's parent.

## 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (o) Related parties (Continued)

(ii) An entity is related to the Group if any of the following conditions applies:

(1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(3) Both entities are joint ventures of the same third party.

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third parties.

(5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(6) The entity is controlled or jointly controlled by a person identified in (i).

(7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(8) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

### (p) Impairment of assets

#### (i) Impairment of financial assets

The Group recognises loss allowances for lifetime expected credit loss ("ECL") on trade and other receivables. For bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, the loss allowances are measured as 12-month ECL. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). In all cases, the maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. In all cases, the maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

## 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (p) Impairment of assets (Continued)

#### (i) Impairment of financial assets (Continued)

*Measurement of ECLs and presentation of ECLs in the consolidated statement of financial position*

ECLs are a probability-weighted estimate of credit losses. They are measured as follows:

— financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive);

— financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

— undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and

— financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss.

*Write-off*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no reasonable expectations of recovering the financial asset. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

#### (ii) Impairment of other assets

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

— property, plant and equipment;

— right-of-use assets;

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

— other intangible assets; and

— investments in subsidiaries and associate in the Company's statement of financial position.

## 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (p) Impairment of assets (Continued)

#### (ii) Impairment of other assets (Continued)

If any such indication exists, the asset's recoverable amount is estimated. In addition, for 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 of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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 to reduce the carrying amount of the 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 of disposal (if measurable) or value in use (if determinable).

— *Reversals of impairment losses*

In respect of assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

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.

## 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (q) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker (the "CODM") 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.

### (r) 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.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9 "Financial Instruments"; and

- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 "Revenue from Contracts with Customers".

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

## 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (r) Financial guarantees issued, provisions and contingent liabilities (Continued)

#### (ii) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group 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.

### (s) Employee benefits

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. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

### (t) Convertible bonds

Convertible bonds are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

### (u) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants are deducted in reporting the related expenses, when appropriate.

## 4. ACCOUNTING ESTIMATES AND JUDGEMENTS

### (a) Recognition and recoverability of deferred tax assets

Management considers the key source of estimation uncertainty lies in the recognition of deferred tax assets from unused tax losses. These tax losses can be carried forward indefinitely and have no expiry date. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be utilised. Management reviews the carrying amount of deferred tax assets at the end of each reporting period, based on the forecast results of the Group and the forecasts of future taxable profits of the relevant entities with recognised deferred tax assets. The forecasts take into account the expected growth of the business due to the new business development and the approved business plans. Significant judgement is involved in assessing whether there is convincing evidence that sufficient taxable profits will be available in view of a history of recent losses, including estimating the projected future taxable profits and the timing of the utilisation of tax losses. In the event that the Group's estimates of projected future taxable profits due to changes in operating environment and business strategies would impact the timing or extent of the Group's ability to utilise the tax loss carry-forwards in the future, adjustments to the recorded amount of deferred tax assets would be required. For the purpose of sensitivity analysis, if the gross revenue for each year in the forecasts were to decrease by 3% as compared with the forecasted amounts under the base case scenario, deferred tax assets of about HK$32 million would not have been recovered within the forecast periods adopted in the base case scenario.

### (b) Impairment of property, plant and equipment, right-of-use assets, programming library and other related intangible assets

Management regularly reviews whether there are any indications of impairment and will recognise an impairment loss if the carrying amount of an asset or a cash generating unit is higher than its recoverable amount which is the greater of its fair value less costs of disposal or its value in use.

Management uses the value in use model with reference to the valuation performed by an independent professional valuer to assess the present value of the estimated future cash flows expected to arise from the continuing use of the assets and to determine the recoverable amounts of the cash generating unit to which property, plant and equipment, right-of-use assets, programming library and other related intangible assets are allocated. The cash generating unit identified for such impairment assessment is the Group as a whole. Significant judgement is involved in the identification of the cash generating unit to which the assets are allocated, in assessing whether cash inflows are largely independent and in determining the key assumptions adopted in the cash flow forecast, including forecast revenue, forecast programming costs, forecast network and other expenses, annual growth rates, long term growth rate and discount rate under value in use calculation. Changes in the assumptions of the Group's estimates of projected cash flows due to changes in operating environment, uncertainty in the expected growth in business and change in discount rate and long term growth rate would impact the recoverable amount of the cash generating unit. For the purpose of sensitivity analysis, if the annual estimated revenue is reduced by 3% and the discount rate is increased by 0.5%, there would still be sufficient headroom for the impairment assessment.

Recoverable amounts of acquired programmes, films rights, 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 of disposal, 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 recoverable value. If revenue actually generated were to fall short of forecasts, or there are changes in total expected number of showings, amortisation may need to be changed, or impairment may need to be made to reduce the carrying value of individual programme or film to its recoverable amount. Actual results may differ from these estimates under different assumptions or conditions.

## 5. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate, currency and price 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 receivables, contract assets and other receivables. Management has a defined credit policy in place with general credit terms ranging from 0 to 15 days in respect of television, broadband, telephony and mobile service subscription and from 0 to 30 days in respect of advertising, network leasing and network construction services. The exposure to credit risks is monitored on an ongoing basis. The Group has no significant concentrations of credit risk from customers receivables as the customers' bases were widely dispersed in different sectors, except for a single external customer which accounts for approximately 47% (2019: 35%) of the total trade receivables, contract assets and other receivables. Subscription revenue from customers is settled mainly in cash or via major credit cards.

Contract assets are considered to have low credit risk. Taking into account the historical settlement of contractual payment and forward-looking factors, management considered the lifetime ECLs surrounding contracts is not significant.

Other receivables are considered to have low credit risk. These assets are continuously monitored by assessing the credit quality of the counter parties, taking into account past experiences and other factors. Where necessary, provision for impairment loss is made for estimated irrecoverable amounts. As at 31 December 2020 and 2019, the other receivables were fully performing.

The maximum exposure to credit risk is represented by the carrying amount of the trade receivables and contract assets and other receivables in the consolidated statement of financial position.

### (b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and its compliance with lending covenants. The Group's objective is to maintain a balance between the continuity of funding and the flexibility through use of interest-bearing borrowings. As disclosed in Note 2, certain measures have been taken by the Directors to mitigate the liquidity pressures faced by the Group.

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

## 5. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### (b) Liquidity risk (Continued)

| At 31 December 2020 | Within 1 year or on demand HK$'000 | Between 1 and 2 years HK$'000 | Between 2 and 5 years HK$'000 | Over 5 years HK$'000 | Total contractual undiscounted cash flows HK$'000 | Carrying amount in the consolidated statement of financial position HK$'000 |
|---|---|---|---|---|---|---|
| Trade payables | 69,126 | – | – | – | 69,126 | 69,126 |
| Accrued expenses and other payables | 246,319 | – | – | – | 246,319 | 246,319 |
| Customers' deposits | 49,622 | – | – | – | 49,622 | 49,622 |
| Interest-bearing borrowings | 298,752 | – | – | – | 298,752 | 295,000 |
| Lease liabilities | 44,520 | 40,739 | 34,387 | – | 119,646 | 109,586 |
| Convertible bonds | 11,360 | 11,360 | 34,080 | 607,760 | 664,560 | 368,881 |
| Other non-current liabilities | – | – | 22,068 | – | 22,068 | 22,068 |
| | 719,699 | 52,099 | 90,535 | 607,760 | 1,470,093 | 1,160,602 |

| At 31 December 2019 | Within 1 year or on demand HK$'000 | Between 1 and 2 years HK$'000 | Between 2 and 5 years HK$'000 | Over 5 years HK$'000 | Total contractual undiscounted cash flows HK$'000 | Carrying amount in the consolidated statement of financial position HK$'000 |
|---|---|---|---|---|---|---|
| Trade payables | 39,220 | – | – | – | 39,220 | 39,220 |
| Accrued expenses and other payables | 230,242 | – | – | – | 230,242 | 230,242 |
| Customers' deposits | 50,103 | – | – | – | 50,103 | 50,103 |
| Interest-bearing borrowings | 359,867 | – | – | – | 359,867 | 345,000 |
| Lease liabilities | 34,572 | 33,923 | 56,411 | – | 124,906 | 114,879 |
| Convertible bonds | 11,360 | 11,360 | 34,080 | 619,120 | 675,920 | 352,587 |
| Other non-current liabilities | – | – | 22,068 | – | 22,068 | 22,068 |
| | 725,364 | 45,283 | 112,559 | 619,120 | 1,502,326 | 1,154,099 |

### (c) Interest rate risk

At 31 December 2020, the Group's interest rate risk arises primarily from the revolving loan of HK$295,000,000 (2019: HK$345,000,000) from a banking facility. The loans at variable rates expose the Group to cash flow interest rate risk.

At 31 December 2020, the Group had convertible bonds of outstanding amount of HK$568,000,000 (2019: HK$568,000,000). The coupon rate is 2.0% per annum and payable quarterly.

At 31 December 2020, the Group had time deposits with bank amounting to approximately HK$18,320,000 (2019: HK$213,386,000) with original maturities of 31 to 365 days (2019: 31 to 366 days).

## 5. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### (c) Interest rate risk (Continued)

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.

#### Effective interest rates analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the end of the reporting period:

| | Total | | Effective interest rate | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| **Interest rate risk** | **HK$'000** | HK$'000 | **%** | % |
| Floating rate: | | | | |
| Cash at banks | **149,243** | 46,484 | **0.00** | 0.00 |
| Interest-bearing borrowings | **(295,000)** | (345,000) | **5.07** | 3.91 |
| | **(145,757)** | (298,516) | | |
| Fixed rate: | | | | |
| Time deposits with banks | **18,320** | 213,386 | **0.08** | 1.88 |
| Convertible bonds — liability component | **(368,881)** | (352,587) | **7.69** | 7.69 |
| | **(350,561)** | (139,201) | | |

At 31 December 2020, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's loss before taxation and increased/decreased the accumulated losses by approximately HK$1,458,000 (2019: HK$2,985,000).

The sensitivity analysis above indicates the instantaneous change in the Group's loss before taxation and accumulated losses 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 before taxation and accumulated losses 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 as 2019.

## 5. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### (d) Currency risk

The Group is exposed to currency risk primarily through trade and other receivables, financial assets at FVTPL, restricted bank balances, cash and bank balances, and trade and other payables that are denominated in a foreign currency, i.e. currency other than the functional currency of the operations to which the transactions relate. The currency giving rise to this risk is primarily United States dollars.

In view that the Hong Kong dollar is pegged to the United States dollar under the Linked Exchange Rate System in Hong Kong, management does not expect that there will be any significant currency risk associated with recognised assets and liabilities denominated in United States dollar. It is therefore assumed that the risk of movements in exchange rates between Hong Kong dollar and United States dollar would be insignificant. Accordingly, no sensitivity analysis has been prepared.

### (e) Price risk

The Group is exposed to price risk through its investments recognised in financial assets at FVTPL. The Group manages this exposure by maintaining a portfolio of investments with different risk and return profiles.

#### Sensitivity analysis

At 31 December 2020, the Group has no exposure to price risk as it does not have any financial assets at FVTPL (2019: if the price of the Group's financial assets at FVTPL had been 1% higher/lower with all other variables held constant, the loss for the year would have decreased/increased by approximately HK$548,000).

### (f) 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 of the Company and benefits for other stakeholders of the Group, 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, issue new shares or new debt financing. The Group made no changes to its capital management objectives, policies or processes during the years ended 31 December 2020 and 2019.

## 5. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### (f) Capital management (Continued)

The net gearing ratio, measured in terms of the total interest-bearing borrowings and convertible bonds less cash and bank balances and restricted bank balances divided by total equity, was approximately 136% (2019: 68%). The capital structure of the Group was approximately 65% (2019: 52%) debt and approximately 35% (2019: 48%) equity as at 31 December 2020.

### (g) Fair values of financial instruments

Financial instruments carried at fair value are measured by different valuation methods. The inputs to valuation methods are categorised into three levels within a fair value hierarchy, as follows:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. This is the case for unlisted equity securities.

The following table presents the Group's assets that are measured at fair value at the end of the reporting period on a recurring basis:

| | Level 1<br>HK$'000 | Level 2<br>HK$'000 | Level 3<br>HK$'000 | Total<br>HK$'000 |
|---|---|---|---|---|
| **At 31 December 2020** | | | | |
| Assets | | | | |
| Financial assets at FVTPL | | | | |
| — Money market funds | **–** | **–** | **–** | **–** |
| At 31 December 2019 | | | | |
| Assets | | | | |
| Financial assets at FVTPL | | | | |
| — Money market funds | 54,766 | – | – | 54,766 |

During the years ended 31 December 2020 and 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at 31 December 2020 and 2019.

## 6. REVENUE

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries and consolidated structured entities of the Company set out in Note 18 to the consolidated financial statements.

Revenue comprises principally subscription, service and related fees for television, broadband internet access and telephony services. It also includes advertising revenue net of agency deductions, channel service and distribution fees, programme licensing income, film exhibition and distribution income, network leasing income, network construction income, mobile service income, mobile agency service income and other telecommunications income.

## 7. SEGMENT INFORMATION

The Group managed its businesses according to the nature of services provided. The Group's CODM, which comprises executive Director and senior management of the Company, has determined two reportable operating segments for measuring performance and allocating resources. The segments are media and telecommunications.

The media segment includes operations related to the television subscription business, domestic free television programme service, advertising, channel carriage, television relay service, programme licensing, theatrical release and other related businesses.

The telecommunications segment includes operations related to broadband internet access services, portal operation, mobile content licensing, telephony services, network leasing, network construction, mobile service and mobile agency service as well as other related businesses.

The CODM evaluates performance primarily based on segment results before depreciation of property, plant and equipment and right-of-use assets, amortisation of other intangible assets, corporate expenses, corporate depreciation of property, plant and equipment, interest income, finance costs, non-operating income and income tax, but after amortisation of programming library and amortisation of contract acquisition costs. Besides, the CODM also evaluates performance based on segment results before corporate expenses, corporate depreciation of property, plant and equipment, interest income, finance costs, non-operating income and income tax, but after amortisation of programming library, amortisation of contract acquisition costs, depreciation of property, plant and equipment and right-of-use assets and amortisation of other intangible assets.

Inter-segment pricing is generally determined at arm's length basis.

Segment assets principally comprise all tangible assets with the exception of interest in an associate, deferred tax assets and assets managed at the corporate office. Segment liabilities include all liabilities, convertible bonds and interest-bearing borrowings directly attributable to and managed by each segment with the exception of current tax liabilities and liabilities at corporate office.

Besides, the CODM is also provided with segment information concerning revenue (including inter-segment revenue).

## 7. SEGMENT INFORMATION (Continued)

Information regarding the Group's reportable segments as provided to the CODM for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2020 and 2019 is set out below:

| | Year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | Media | | Telecommunications | | Total | |
| | 2020 HK$'000 | 2019 HK$'000 | 2020 HK$'000 | 2019 HK$'000 | 2020 HK$'000 | 2019 HK$'000 |
| Reportable segment revenue | 656,485 | 751,867 | 412,700 | 409,178 | 1,069,185 | 1,161,045 |
| Less: Inter-segment revenue | – | – | (208) | (208) | (208) | (208) |
| Revenue from external customers | 656,485 | 751,867 | 412,492 | 408,970 | 1,068,977 | 1,160,837 |
| Revenue from contracts with customers: | | | | | | |
| Timing of revenue recognition: | | | | | | |
| At a point in time | 20,743 | 17,426 | 36,728 | 30,863 | 57,471 | 48,289 |
| Over time | 593,557 | 698,736 | 375,298 | 377,576 | 968,855 | 1,076,312 |
| Revenue from other sources: | | | | | | |
| Rental income | 42,185 | 35,705 | 466 | 531 | 42,651 | 36,236 |
| | 656,485 | 751,867 | 412,492 | 408,970 | 1,068,977 | 1,160,837 |
| Reportable segment (loss)/profit before depreciation and amortisation of other intangible assets | (124,987) | (209,042) | 172,319 | 164,674 | 47,332 | (44,368) |
| Depreciation | (128,781) | (136,517) | (80,838) | (82,475) | (209,619) | (218,992) |
| Amortisation of other intangible assets | (4,054) | (1,610) | – | – | (4,054) | (1,610) |
| Reportable segment results before corporate expenses and corporate depreciation | (257,822) | (347,169) | 91,481 | 82,199 | (166,341) | (264,970) |
| Corporate expenses | | | | | (57,504) | (92,196) |
| Corporate depreciation | | | | | (10,601) | (6,969) |
| Loss from operations | | | | | (234,446) | (364,135) |
| Interest income | | | | | 423 | 4,870 |
| Finance costs | | | | | (41,258) | (37,807) |
| Non-operating income | | | | | 417 | 393 |
| Income tax | | | | | (523) | (287) |
| Loss for the year | | | | | (275,387) | (396,966) |

## 7. SEGMENT INFORMATION (Continued)

| | 31 December 2020 HK$'000 | 31 December 2019 HK$'000 |
|---|---|---|
| **Segment assets** | | |
| Media | **806,682** | 1,004,976 |
| Telecommunications | **469,437** | 535,106 |
| | **1,276,119** | 1,540,082 |
| Corporate assets | **31,636** | 38,140 |
| Interest in an associate | **–** | – |
| Deferred tax assets | **300,525** | 300,525 |
| **Total assets** | **1,608,280** | 1,878,747 |
| **Segment liabilities** | | |
| Media | **787,191** | 778,775 |
| Telecommunications | **445,445** | 424,117 |
| | **1,232,636** | 1,202,892 |
| Corporate liabilities | **10,409** | 35,775 |
| Current tax liabilities | **68** | 63 |
| **Total liabilities** | **1,243,113** | 1,238,730 |

### Geographical segment:

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

### Information about major customer:

Revenue of approximately HK$131,953,000 (2019: HK$103,070,000) were derived from a single external customer during the year ended 31 December 2020, of which approximately HK$129,393,000 (2019: HK$103,070,000) and approximately HK$2,560,000 (2019: HK$Nil) were attributed to the telecommunications segment and the media segment respectively.

## 8. LOSS BEFORE TAXATION

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

| | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|
| **Interest income** | | |
| Interest income from deposits with banks | **(423)** | (4,870) |
| **Finance costs** | | |
| — Interest expenses on borrowings | **7,315** | 14,540 |
| — Interest expenses on lease liabilities | **6,289** | 7,867 |
| — Interest expenses on convertible bonds | **27,654** | 15,400 |
| **Staff costs, including Directors' emoluments** | | |
| Salaries, wages and other benefits* | **363,278** | 481,655 |
| Share-based payment | **–** | 4,614 |
| Contributions to defined contribution retirement plans | **22,885** | 27,875 |
| **Other items** | | |
| Depreciation | | |
| — assets held for use under operating leases | **24,782** | 23,594 |
| — other assets | **158,224** | 166,421 |
| — right-of-use assets | **37,214** | 35,946 |
| | **220,220** | 225,961 |
| Amortisation | | |
| — programming library** | **52,803** | 71,677 |
| — contract acquisition costs | **24,151** | 29,481 |
| — other intangible assets | **4,054** | 1,610 |
| Net loss allowance on trade receivables | **1,859** | 4,275 |
| Carrying amount of inventories consumed and sold | **11,111** | 11,050 |
| Write down of inventories | **812** | 1,170 |
| Rental expenses in respect of land and buildings under short-term leases and low-value leases not included in lease liabilities | **10,526** | 18,616 |
| Auditor's remuneration | | |
| — audit services | **2,790** | 2,280 |
| — non-audit services | **1,217** | 446 |
| Net foreign exchange (gain)/loss | **(691)** | 2,269 |
| Rental income under operating leases in respect of | | |
| — subleased land and buildings | **–** | (35) |
| — owned plant and machinery | **(42,651)** | (36,201) |
| Non-operating income | | |
| — gain on disposal of a subsidiary *(Note 18(b))* | **(17)** | – |
| — net gain on disposal of property, plant and equipment | **(96)** | (167) |
| — gain on modification of lease contracts | **(11)** | (169) |
| — gain on disposal of financial assets at FVTPL *(Note 21(b))* | **(293)** | – |
| — fair value gains on financial assets at FVTPL *(Note 21(b))* | **–** | (166) |

* *During the year ended 31 December 2020, subsidies of approximately HK$68,591,000 (2019: HK$Nil) from the Employment Support Scheme under the Anti-epidemic Fund set up by the Government of the Hong Kong Special Administrative Region were included in salaries, wages and other benefits.*

** *Amortisation of programming library was included within programming costs in the consolidated statement of profit or loss of the Group.*

## 9. INCOME TAX

Hong Kong and other jurisdictions profits tax has been provided at the rate of 16.5% (2019: 16.5%) and at the rates of taxation prevailing in the jurisdictions in which the Group operates respectively.

### (a) Income tax in the consolidated statement of profit or loss represents:

| | **2020**<br>**HK$'000** | 2019<br>HK$'000 |
|---|---|---|
| **Current income tax** | | |
| Provision for the year | **523** | 287 |
| | **523** | 287 |
| **Deferred income taxation** *(Note 27(b))* | | |
| Utilisation of prior years' tax losses recognised | **4,747** | 2,681 |
| Benefit of previously unrecognised tax losses now recognised | **–** | (430) |
| Origination and reversal of temporary differences | **(4,747)** | (2,251) |
| | **–** | – |
| Income tax | **523** | 287 |

### (b) Reconciliation between the effective income tax rate and the applicable tax rate:

| | **2020**<br>**%** | 2019<br>% |
|---|---|---|
| Statutory income tax rate | **(16.5)** | (16.5) |
| Tax effect of non-deductible expenses | **4.2** | 2.1 |
| Tax effect of non-taxable income | **(4.1)** | (0.2) |
| Tax effect of temporary differences not recognised | **0.3** | – |
| Tax effect of unused tax losses not recognised | **20.3** | 18.9 |
| Tax effect of previously unrecognised tax losses now recognised | **(4.0)** | (4.2) |
| Effective income tax rate | **0.2** | 0.1 |

## 10. DIRECTORS' BENEFITS AND INTERESTS

The following disclosures are made pursuant to section 383(1) of the Hong Kong Companies Ordinance (Cap. 622) and Part 2 to 4 of the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) are as follows:

| Name of directors | Fees HK$'000 | Salaries and other benefits HK$'000 | Retirement scheme contributions HK$'000 | Discretionary bonuses and/or performance related bonuses HK$'000 | Estimated money value of other benefits (note (ii)) HK$'000 | Total emoluments HK$'000 |
|---|---|---|---|---|---|---|
| 2020: | | | | | | |
| *Non-executive Directors* | | | | | | |
| Tan Sri Dato' David Chiu *(Chairman)* | 60 | – | – | – | – | 60 |
| Dr. Cheng Kar-Shun, Henry *(Vice-chairman)* | 60 | – | – | – | – | 60 |
| Mr. Tsang On Yip, Patrick | 60 | – | – | – | – | 60 |
| Mr. Hoong Cheong Thard | 60 | – | – | – | – | 60 |
| Mr. Lie Ken Jie Remy Anthony Ket Heng | 60 | – | – | – | – | 60 |
| Ms. Ng Yuk Mui Jessica | 60 | – | – | – | – | 60 |
| *Executive Director* | | | | | | |
| Mr. Andrew Wah Wai Chiu | 60 | – | – | – | – | 60 |
| *Independent Non-executive Directors* | | | | | | |
| Mr. Lam Kin-Fung, Jeffrey | 60 | – | – | – | – | 60 |
| Dr. Hu Shao Ming Herman | 60 | – | – | – | – | 60 |
| Mr. Luk Koon Hoo, Roger | 80 | – | – | – | – | 80 |
| Mr. Tang Sing Ming Sherman | 80 | – | – | – | – | 80 |
| | 700 | – | – | – | – | 700 |

## 10. DIRECTORS' BENEFITS AND INTERESTS (Continued)

| Name of directors | Fees HK$'000 | Salaries and other benefits HK$'000 | Retirement scheme contributions HK$'000 | Discretionary bonuses and/or performance related bonuses HK$'000 | Estimated money value of other benefits (note (ii)) HK$'000 | Total emoluments HK$'000 |
|---|---|---|---|---|---|---|
| 2019: | | | | | | |
| *Non-executive Directors* | | | | | | |
| Tan Sri Dato' David Chiu *(Chairman)* | 60 | – | – | – | 1,052 | 1,112 |
| Dr. Cheng Kar-Shun, Henry *(Vice-chairman)* | 60 | – | – | – | 1,052 | 1,112 |
| Mr. Tsang On Yip, Patrick | 60 | – | – | – | 445 | 505 |
| Mr. Hoong Cheong Thard | 60 | – | – | – | 445 | 505 |
| Mr. Lie Ken Jie Remy Anthony Ket Heng *(note (i))* | 30 | – | – | – | – | 30 |
| Ms. Ng Yuk Mui Jessica *(note (i))* | 30 | – | – | – | – | 30 |
| *Executive Director* | | | | | | |
| Mr. Andrew Wah Wai Chiu | 60 | – | – | – | 602 | 662 |
| *Independent Non-executive Directors* | | | | | | |
| Mr. Lam Kin-Fung, Jeffrey | 60 | – | – | – | – | 60 |
| Dr. Hu Shao Ming Herman | 60 | – | – | – | – | 60 |
| Mr. Luk Koon Hoo, Roger | 80 | – | – | – | – | 80 |
| Mr. Tang Sing Ming Sherman | 80 | – | – | – | – | 80 |
| *Resigned Director* | | | | | | |
| Dr. Cheng Chi-Kong, Adrian *(Resigned w.e.f. 2 July 2019)* | 30 | – | – | – | 339 | 369 |
| | 670 | – | – | – | 3,935 | 4,605 |

*Notes:*

(i) *Mr. Lie Ken Jie Remy Anthony Ket Heng and Ms. Ng Yuk Mui Jessica were appointed as non-executive Directors with effect from 2 July 2019.*

(ii) *Other benefits include share options. The value of the share options granted to the directors of the Company under the share option scheme represents the fair value of these options charged to the consolidated statement of profit or loss, for the year in accordance with HKFRS 2.*

## 10. DIRECTORS' BENEFITS AND INTERESTS (Continued)

There was no compensation for loss of office and/or inducement for joining the Group paid/payable to the directors of the Company in respect of the years ended 31 December 2020 and 31 December 2019.

During the year ended 31 December 2020, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2019: HK$Nil). No consideration was provided to or receivable by third parties for making available directors' services (2019: HK$Nil). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2019: None).

During the year and at the year ended 31 December 2020, no Director had or has a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party (2019: None).

## 11. INDIVIDUALS WITH HIGHEST EMOLUMENTS AND EMOLUMENTS OF SENIOR MANAGEMENT

### (a) Five highest paid individuals

The aggregate of the emoluments in respect of the five (2019: five) individuals with the highest emoluments are as follows:

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| Salaries and other benefits | **9,221** | 9,715 |
| Retirement scheme contributions | **447** | 651 |
| Discretionary bonuses and/or performance related bonuses | **–** | 624 |
| Share options | **–** | 403 |
| | **9,668** | 11,393 |

The emoluments of the five (2019: five) individuals with the highest emoluments are within the following bands:

| HK$ | 2020<br>Number of<br>individuals | 2019<br>Number of<br>individuals |
|---|---|---|
| 1,500,001–2,000,000 | **4** | 2 |
| 2,000,001–2,500,000 | **1** | 1 |
| 2,500,001–3,000,000 | **–** | 2 |
| 3,000,001–3,500,000 | **–** | – |
| 3,500,001–4,000,000 | **–** | – |
| | **5** | 5 |

## 11. INDIVIDUALS WITH HIGHEST EMOLUMENTS AND EMOLUMENTS OF SENIOR MANAGEMENT (Continued)

### (b) Emoluments of senior management

For the year ended 31 December 2020, the emoluments of the senior management of the Group, whose biographical details are set out in the "Biographical Details of Directors and Senior Management" section of this annual report, were within following bands:

| HK$ | **2020 Number of individuals** | 2019 Number of individuals |
|---|---|---|
| Nil–1,000,000 | **–** | – |
| 1,000,001–1,500,000 | **–** | – |
| 1,500,001–2,000,000 | **1** | 1 |
| 2,000,001–2,500,000 | **1** | 1 |
| 2,500,001–3,000,000 | **–** | 2 |
| 3,000,001–3,500,000 | **–** | – |
| 3,500,001–4,000,000 | **–** | – |
| | **2** | 4 |

## 12. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of approximately HK$275,387,000 (2019: HK$396,966,000) and the weighted average number of 7,134,623,520 ordinary shares of the Company (the "Shares") (2019: 6,765,535,880 Shares) in issue during the year.

### Weighted average number of the Shares

| | **2020** | 2019 |
|---|---|---|
| Issued Shares at 1 January | **7,134,623,520** | 6,206,020,156 |
| Effect of Rights Issue *(Note 26(c)(iii))* | **–** | 559,515,724 |
| Weighted average number of the Shares at 31 December | **7,134,623,520** | 6,765,535,880 |

The diluted loss per Share for the years ended 31 December 2020 and 2019 equals to the basic loss per Share since the exercise of the outstanding share options of the Company (the "Share Options") granted under the share option scheme of the Company adopted on 24 May 2018 (the "Share Option Scheme") and conversion rights attached to the unlisted long-term convertible bonds issued in June 2019 would not have a dilutive effect on the loss per Share.

## 13. PROPERTY, PLANT AND EQUIPMENT

| | Network assets and television production systems HK$'000 | Furniture, fixtures, other equipment and motor vehicles HK$'000 | Leasehold land and building in Hong Kong and The People's Republic of China HK$'000 | Leasehold improvements HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 January 2019 | 6,100,523 | 649,653 | 28,684 | 340,933 | 7,119,793 |
| Additions | 106,241 | 12,337 | – | 14,649 | 133,227 |
| Disposals | (33,930) | (9,043) | – | (78,129) | (121,102) |
| Reclassification to inventories | (286) | – | – | – | (286) |
| Exchange differences | – | (197) | (331) | (96) | (624) |
| At 31 December 2019 | 6,172,548 | 652,750 | 28,353 | 277,357 | 7,131,008 |
| **Cost** | | | | | |
| At 1 January 2020 | 6,172,548 | 652,750 | 28,353 | 277,357 | 7,131,008 |
| Additions | 87,041 | 12,456 | – | 472 | 99,969 |
| Disposals | (35,948) | (7,466) | – | (9) | (43,423) |
| Exchange differences | – | 857 | 1,442 | 421 | 2,720 |
| At 31 December 2020 | 6,223,641 | 658,597 | 29,795 | 278,241 | 7,190,274 |
| **Accumulated depreciation** | | | | | |
| At 1 January 2019 | 5,306,861 | 634,471 | 12,951 | 319,788 | 6,274,071 |
| Charge for the year | 172,594 | 7,751 | 1,090 | 8,580 | 190,015 |
| Written back on disposals | (32,224) | (9,041) | – | (78,129) | (119,394) |
| Reclassification to inventories | (284) | – | – | – | (284) |
| Exchange differences | – | (196) | (174) | (102) | (472) |
| At 31 December 2019 | 5,446,947 | 632,985 | 13,867 | 250,137 | 6,343,936 |
| **Accumulated depreciation** | | | | | |
| At 1 January 2020 | 5,446,947 | 632,985 | 13,867 | 250,137 | 6,343,936 |
| Charge for the year | 165,013 | 8,176 | 1,075 | 8,742 | 183,006 |
| Written back on disposals | (35,577) | (7,435) | – | (7) | (43,019) |
| Exchange differences | – | 855 | 778 | 414 | 2,047 |
| At 31 December 2020 | 5,576,383 | 634,581 | 15,720 | 259,286 | 6,485,970 |
| **Net book value** | | | | | |
| At 31 December 2020 | 647,258 | 24,016 | 14,075 | 18,955 | 704,304 |
| At 31 December 2019 | 725,601 | 19,765 | 14,486 | 27,220 | 787,072 |

As at 31 December 2020, the net book value of plant and equipment of the Group held for use in operating leases were approximately HK$46,330,000 (2019: HK$54,882,000).

## 14. LEASES

This note provides information for leases where the Group is a lessee.

### (a) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

| | **2020**<br>**HK$'000** | 2019<br>HK$'000 |
|---|---|---|
| **Right-of-use assets** | | |
| Properties | **112,203** | 124,308 |
| **Lease liabilities** | | |
| Current | **41,535** | 31,599 |
| Non-current | **68,051** | 83,280 |

Additions to the right-of-use assets during the year ended 31 December 2020 were approximately HK$25,697,000 (2019: HK$3,177,000).

### (b) Amounts recognised in the consolidated statement of profit or loss

The consolidated statement of profit or loss shows the following amounts relating to lease:

| | *Note* | **2020**<br>**HK$'000** | 2019<br>HK$'000 |
|---|---|---|---|
| **Depreciation charge of right-of-use assets** | | | |
| Properties | *8* | **37,214** | 35,946 |
| Interest expense (included in finance costs) | *8* | **6,289** | 7,867 |
| Expense relating to short-term leases | *8* | **9,714** | 17,798 |
| Expense relating to leases of low-value assets that are not shown above as short-term leases | *8* | **812** | 818 |

The total cash outflows for leases in 2020 was approximately HK$47,206,000 (2019: HK$54,499,000).

The Group leases a number of premises under operating leases mainly for use as office premises, car parks and warehouses. 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 (2019: two to fifteen years), and certain leases have an option for a three-year term, 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.

## 14. LEASES (Continued)

### (c) The Group's leasing activities and how they are accounted for

#### (i) Extension and termination options

Extension and termination options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. Approximately 71% (2019: 75%) of the total lease payments made in 2020 were optional.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows of approximately HK$65,187,000 (2019: HK$75,867,000) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the year ended 31 December 2020, the financial effect of revising lease terms to reflect the effect of exercising termination option was a decrease in recognised lease liabilities and right-of-use assets of approximately HK$553,000 and HK$565,000 (2019: HK$41,767,000 and HK$41,598,000) respectively.

During the year ended 31 December 2019, some of the leased properties have been sublet by the Group under operating leases. The terms of the subleases vary and run for an initial period of two years.

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

## 15. PROGRAMMING LIBRARY

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| **Cost** | | |
| At 1 January | **683,407** | 760,332 |
| Additions | **42,698** | 37,168 |
| Written off | **(105,251)** | (114,093) |
| At 31 December | **620,854** | 683,407 |
| **Accumulated amortisation** | | |
| At 1 January | **602,414** | 644,830 |
| Charge for the year | **52,803** | 71,677 |
| Written off | **(105,251)** | (114,093) |
| At 31 December | **549,966** | 602,414 |
| **Net book value** | | |
| At 31 December | **70,888** | 80,993 |

The management of the Group undertook a review of its programming library to assess the respective recoverability. As a result of the assessment, no impairment loss was recognised during the year (2019: HK$Nil).

## 16. OTHER INTANGIBLE ASSETS

| | Club debentures HK$'000 | Computer software development costs HK$'000 | Total HK$'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2019 | 1,218 | – | 1,218 |
| Additions | – | 19,732 | 19,732 |
| At 31 December 2019 | 1,218 | 19,732 | 20,950 |
| **Cost** | | | |
| At 1 January 2020 | 1,218 | 19,732 | 20,950 |
| Additions | – | 606 | 606 |
| Disposal of a subsidiary *(Note 18(b))* | – | (186) | (186) |
| At 31 December 2020 | 1,218 | 20,152 | 21,370 |
| **Accumulated amortisation** | | | |
| At 1 January 2019 | – | – | – |
| Charge for the year | – | 1,610 | 1,610 |
| At 31 December 2019 | – | 1,610 | 1,610 |
| **Accumulated amortisation** | | | |
| At 1 January 2020 | – | 1,610 | 1,610 |
| Charge for the year | – | 4,054 | 4,054 |
| Disposal of a subsidiary *(Note 18(b))* | – | (31) | (31) |
| At 31 December 2020 | – | 5,633 | 5,633 |
| **Net book value** | | | |
| At 31 December 2020 | 1,218 | 14,519 | 15,737 |
| At 31 December 2019 | 1,218 | 18,122 | 19,340 |

(i) The useful lives of the club debentures are indefinite. Accordingly, no amortisation was charged to the consolidated statement of profit or loss of the Group during the current and prior years. The Group completed its annual impairment test for the club debentures by comparing the fair values less costs of disposal of the club debentures to their carrying amounts as at the end of the reporting period. No impairment loss was recognised during the year (2019: HK$Nil).

(ii) The Group's computer software development costs are amortised using the straight-line method over their estimated useful lives of 5 years. No impairment loss was recognised during the year (2019: HK$Nil).

## 17. INTEREST IN AN ASSOCIATE

Details of the Group's interest in an 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 |
|---|---|---|---|---|---|
| FRM Film InvestCo LLC | Incorporated | State of Delaware USA | Inactive | Capital contribution US$25,000,000 | 30% |

In respect of the year ended 31 December 2020, the Group has not taken into account the effect of transactions or events of the associate as the associate was inactive during the current year. Since the Group's share of losses has already exceeded its interest in associate, the Group's interest was recorded at HK$Nil (2019: HK$Nil) and no recognition of future losses is expected as the Group has no legal or constructive obligation in respect of such losses.

## 18. INVESTMENTS IN SUBSIDIARIES

(a) The following list contains only the particulars of the Company's principal subsidiaries and consolidated structured entities.

| Name of company | Place of incorporation/ operation | Principal activities | Particular of issued capital all fully paid | Proportion of ownership | |
|---|---|---|---|---|---|
| | | | | Directly | Indirectly |
| Fantastic Entertainment Limited ("FEL")** | Hong Kong | Programme production and acquisition | HK$1 divided into 1 ordinary share | – | 14.9% |
| Fantastic Television Limited ("FTL")** | Hong Kong | Free television broadcasting | HK$10,000 divided into 9,999 ordinary shares and 1 non-voting preference share | 14.9% | – |
| HK Open TV Company Limited ("HKOTV")** | Hong Kong | Advertising services and programme production and acquisition | HK$1 divided into 1 ordinary share | – | 14.9% |
| Hong Kong Cable Enterprises Limited | Hong Kong | Advertising services and programme licensing | HK$2 divided into 2 ordinary shares | – | 100% |
| Hong Kong Cable News Express Limited | Hong Kong | Advertising services | HK$20 divided into 2 ordinary shares | – | 100% |
| Hong Kong Cable Television Limited ("HKC") | Hong Kong | Television and broadband internet access | HK$750,000,000 divided into 750,000,000 ordinary shares | – | 100% |

## 18. INVESTMENTS IN SUBSIDIARIES (Continued)

(a) The following list contains only the particulars of the Company's principal subsidiaries and consolidated structured entities. (Continued)

| Name of company | Place of incorporation/ operation | Principal activities | Particular of issued capital all fully paid | Proportion of ownership | |
|---|---|---|---|---|---|
| | | | | Directly | Indirectly |
| Hong Kong International Business Channel Limited ("HKIBCL")** | Hong Kong | Advertising services and programme production and acquisition | HK$1 divided into 1 ordinary share | – | 14.9% |
| Hong Kong OTT Company Limited | Hong Kong | Content provision and programme production | HK$1 divided into 1 ordinary share | – | 100% |
| i-CABLE Entertainment Limited | Hong Kong | Programme production and channel operation | HK$10,000,000 divided into 10,000,000 ordinary shares | – | 100% |
| i-CABLE Network Limited | Hong Kong | Network operation | HK$102 divided into 100 ordinary shares and 2 non-voting deferred shares | – | 100% |
| i-CABLE Network Operations Limited | Hong Kong | Network operation | HK$500,000 divided into 500,000 ordinary shares | – | 100% |
| i-CABLE News Limited | Hong Kong | Programme production and channel operation | HK$10,000,000 divided into 10,000,000 ordinary shares | – | 100% |
| i-CABLE Sports Limited | Hong Kong | Programme production and channel operation | HK$10,000,000 divided into 10,000,000 ordinary shares | – | 100% |
| i-CABLE Telecom Limited | Hong Kong | Mobile service, mobile agency service and telephony | HK$1 divided into 1 ordinary share | – | 100% |
| International Distribution Limited ("IDL")** | Hong Kong | Programme licensing and distribution | HK$2 divided into 2 ordinary shares | – | 14.9% |
| Sundream Entertainment Limited | Hong Kong | Film production, distribution and licensing | HK$1 divided into 1 ordinary share | – | 100% |
| Sundream Motion Pictures Limited ("SMPL")** | Hong Kong | Film production, distribution and licensing | HK$300,000,000 divided into 300,000,000 ordinary shares | – | 14.9% |
| The Force Production Company Limited | Hong Kong | Content provision and programme production | HK$1 divided into 1 ordinary share | – | 100% |
| 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% |

## 18. INVESTMENTS IN SUBSIDIARIES (Continued)

(a) The following list contains only the particulars of the Company's principal subsidiaries and consolidated structured entities. (Continued)

* *This entity is registered as a wholly foreign owned enterprise under the People's Republic of China law and is not audited by PwC.*

** *The Company holds 1 non-voting preference share and 1,489 class "A" ordinary shares of FTL, which wholly owns the equity interests in FEL, IDL, SMPL, HKOTV and HKIBCL, while the remaining 4,255 class "B" ordinary shares of FTL and 4,255 class "C" ordinary shares of FTL are held by two independent trustees respectively. The entities are consolidated by the Group in accordance with HKFRSs and the significant accounting policies adopted by the Group as disclosed in Note 3, as the Group is exposed to and has the rights to variable returns from its involvement with the entities and has the ability to affect those returns through its power over the entity, including, but not limited to: (i) the Company's nominated directors to the board of FTL pursuant to the right attached to the class "A" ordinary shares of FTL held by the Company provided in the articles of association of FTL; (ii) the requirement of the presence of the Company as a quorum in any general meeting of FTL; and (iii) veto rights over certain matters attached to class "A" ordinary shares requiring the prior approval of all holders thereof of FTL such as, the modification of any of the rights attached to any of the shares of FTL, alteration to the articles of association of FTL and the nature of the business of FTL, commencement of new business or activity by FTL, or making of any capital commitment by FTL. The Company, being the only preference shareholder, is entitled to receive the first HK$1 billion profits generated in any financial year and the ordinary shareholders of FTL shall be entitled to receive any surplus dividends exceeding such amount of the same financial year on a pro rata basis. For the year ended 31 December 2020, no non-controlling interests is recognised as distributable profits of FTL did not surpass the threshold for the other shareholders.*

None of the Company's subsidiaries or consolidated structured entities had issued any debt securities at the end of the year or during the year.

The above table lists the Company's subsidiaries and consolidated structured entities which, in the opinion of the Directors, principally affected the results of the year or formed a material portion of assets or liabilities of the Group.

### (b) Disposal of a subsidiary

During the year ended 31 December 2020, the Group disposed of its entire equity interests in a subsidiary which was engaged in publication and provision of advertising services on magazine.

| | **2020 HK$'000** | 2019 HK$'000 |
|---|---|---|
| Other intangible assets *(Note 16)* | **155** | – |
| Deposits | **51** | – |
| Bank balances | **51** | – |
| Accruals | **(124)** | – |
| **Net assets disposed of** | **133** | – |
| Consideration received | **150** | – |
| Carrying amount of net assets disposed of | **(133)** | – |
| **Gain on disposal of a subsidiary** *(Note 8)* | **17** | – |
| **Analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary:** | | |
| Consideration received | **150** | – |
| Cash and bank balances disposed of | **(51)** | – |
| **Net inflow of cash and cash equivalents on disposal of a subsidiary** | **99** | – |

## 19. INVENTORIES

| | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|
| Spare parts and consumables for repair and maintenance | **9,980** | 12,020 |

## 20. TRADE RECEIVABLES AND CONTRACT ASSETS

| | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|
| Trade receivables | **98,535** | 104,071 |
| Less: loss allowance *(Note 20(b))* | **(21,236)** | (20,588) |
| | **77,299** | 83,483 |
| Contract assets | **35,000** | 22,991 |
| | **112,299** | 106,474 |

(a) An ageing analysis of trade receivables (net of loss allowance), based on the invoice date is set out as follows:

| | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|
| 0 to 30 days | **48,201** | 42,745 |
| 31 to 60 days | **12,085** | 18,893 |
| 61 to 90 days | **7,773** | 10,569 |
| Over 90 days | **9,240** | 11,276 |
| | **77,299** | 83,483 |

The Group's credit policy is set out in Note 5(a).

(b) Loss allowance in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the loss allowance is written off against trade receivables directly (see Note 3(p)(i)).

The movement in the loss allowance during the year, is as follows:

| | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|
| Balance at beginning of the year | **20,588** | 16,337 |
| Net loss allowance on the trade receivables | **1,859** | 4,275 |
| Written off | **(1,211)** | (24) |
| Balance at end of the year | **21,236** | 20,588 |

## 20. TRADE RECEIVABLES AND CONTRACT ASSETS (Continued)

(c) The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime expected loss allowance for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the historical loss rates as adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

| | Weighted average lifetime expected credit loss rate | Gross carrying amount HK$'000 | Lifetime expected credit loss HK$'000 | Net carrying amount HK$'000 |
|---|---|---|---|---|
| **At 31 December 2020** | | | | |
| Not yet due | **0%** | **38,832** | **(115)** | **38,717** |
| 1 to 30 days past due | **2%** | **16,767** | **(368)** | **16,399** |
| 31 to 60 days past due | **3%** | **11,062** | **(386)** | **10,676** |
| 61 to 90 days past due | **7%** | **4,390** | **(315)** | **4,075** |
| Over 90 days past due | **73%** | **27,484** | **(20,052)** | **7,432** |
| | | **98,535** | **(21,236)** | **77,299** |
| At 31 December 2019 | | | | |
| Not yet due | 7% | 28,928 | (2,112) | 26,816 |
| 1 to 30 days past due | 12% | 26,312 | (3,165) | 23,147 |
| 31 to 60 days past due | 15% | 13,879 | (2,039) | 11,840 |
| 61 to 90 days past due | 15% | 7,535 | (1,159) | 6,376 |
| Over 90 days past due | 44% | 27,417 | (12,113) | 15,304 |
| | | 104,071 | (20,588) | 83,483 |

(d) The lifetime expected loss allowance for contract assets is not material.

## 21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

### (a) Classification of financial assets at FVTPL

Financial assets measured at FVTPL include the following:

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| **Current asset** | | |
| Money market funds | – | 54,766 |

### (b) Amounts recognised in profit or loss

During the year, the following gains were recognised in profit or loss:

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| Fair value gains on financial assets at FVTPL | – | 166 |
| Gain on disposal of financial assets at FVTPL | 293 | – |

### (c) Risk exposure and fair value measurements

Information about the Group's exposure to price risk is provided in Note 5(e). For information about the methods and assumptions used in determining fair value refer to Note 5(g).

## 22. CASH AND BANK BALANCES

Cash and cash equivalents comprise:

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| Bank deposits and cash in the consolidated statement of financial position | **167,973** | 260,219 |
| Less: restricted bank balances* | **(10,550)** | (18,320) |
| Cash and cash equivalents in the consolidated statement of cash flows | **157,423** | 241,899 |

* *The restricted bank balances represent deposits made by the Group to secure certain banking facilities granted to the Group.*

## 23. TRADE AND OTHER PAYABLES

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| Trade payables | **69,126** | 39,220 |
| Accrued expenses | **214,932** | 206,855 |
| Other payables | **31,387** | 23,387 |
| Contract liabilities (receipts in advance) | **82,443** | 84,568 |
| Customers' deposits | **49,622** | 50,103 |
| | **447,510** | 404,133 |

As at 31 December 2020, contract liabilities of approximately HK$82,443,000 (2019: HK$84,568,000) will be recognised as revenue in the next reporting period. Revenue recognised during the year ended 31 December 2020 that was included in the contract liabilities balance at the beginning of the period amounted to approximately HK$84,568,000 (2019: HK$90,215,000).

An ageing analysis of trade payables, based on the invoice date is set out as follows:

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| 0 to 30 days | **7,209** | 9,612 |
| 31 to 60 days | **16,605** | 19,619 |
| 61 to 90 days | **6,697** | 7,469 |
| Over 90 days | **38,615** | 2,520 |
| | **69,126** | 39,220 |

## 24. INTEREST-BEARING BORROWINGS

(a) The analysis of the carrying amount of interest-bearing borrowings is as follows:

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| Within one year or on demand | | |
| Bank loan | **295,000** | 345,000 |

(b) The carrying amount of interest-bearing borrowings denominated in Hong Kong dollar as at 31 December 2020 was HK$295,000,000 (2019: HK$345,000,000), which is unsecured, carries interest at variable rates and repayable on demand.

## 25. CONVERTIBLE BONDS

On 25 January 2019, the Company entered into the unlisted long-term convertible securities subscription agreement with Forever Top, pursuant to which the Company has conditionally agreed to issue, and Forever Top has conditionally agreed to subscribe for, the unlisted long-term convertible bonds (the "2019 LCS"). On 4 June 2019, the issuance of the 2019 LCS with the principal amount of HK$568,000,000 to Forever Top was completed. The 2019 LCS would be convertible into 4,544,000,000 new Shares upon full conversion of the 2019 LCS based on the initial conversion price (the "Conversion Price") of HK$0.125 per conversion share. The Conversion Price represents a premium of approximately 8.7% over the closing price of HK$0.115 per Share as quoted on the Stock Exchange on 25 January 2019, being the date on which the terms of the 2019 LCS were fixed. The coupon rate of the 2019 LCS is 2.0% per annum and payable quarterly. The 2019 LCS is convertible into ordinary Shares at any time during the period from the date of the issue of the 2019 LCS up to the close of business on the maturity date, subject to the conversion restrictions. The maturity date of the 2019 LCS is the end of the tenth year from date of the issue of the 2019 LCS and all of the remaining outstanding 2019 LCS will be redeemed by the Company at 100% of the outstanding principal amount of the 2019 LCS together with any interest accrued but unpaid thereon.

On the date of issuance of the 2019 LCS, the fair value of liability component of approximately HK$343,719,000 was recognised and the fair value of approximately HK$224,281,000, representing equity element, was recognised and presented in equity heading "equity component of convertible bonds" at initial recognition. The effective interest rate of the liability component was 7.69% per annum.

The relevant fair value measurement was carried out by an independent qualified professional valuer not connected to the Group.

## 26. CAPITAL, RESERVES AND DIVIDENDS

### (a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

| | Capital and Reserves | | | | |
|---|---|---|---|---|---|
| Company | Share capital HK$'000 | Accumulated losses HK$'000 | Share option reserve HK$'000 | Equity component of convertible bonds HK$'000 | Total equity HK$'000 |
| **Balance at 1 January 2019** | 7,844,472 | (6,135,537) | 16,038 | – | 1,724,973 |
| **Changes in equity for 2019:** | | | | | |
| Loss and total comprehensive income for the year | – | (532,036) | – | – | (532,036) |
| Issue of convertible bonds | – | – | – | 224,281 | 224,281 |
| Shares issued under rights issue | 92,860 | – | – | – | 92,860 |
| Transaction costs incurred in respect of rights issue | (8,357) | – | – | – | (8,357) |
| Share option expense | – | – | 4,733 | – | 4,733 |
| Transfer of reserve upon lapse of share option | – | 1,890 | (1,890) | – | – |
| **Balance at 31 December 2019 and 1 January 2020** | **7,928,975** | **(6,665,683)** | **18,881** | **224,281** | **1,506,454** |
| **Changes in equity for 2020:** | | | | | |
| Loss and total comprehensive income for the year | **–** | **(322,043)** | **–** | **–** | **(322,043)** |
| Transfer of reserve upon lapse of share option | **–** | **1,413** | **(1,413)** | **–** | **–** |
| **Balance at 31 December 2020** | **7,928,975** | **(6,986,313)** | **17,468** | **224,281** | **1,184,411** |

### (b) Dividends

The board of the Directors (the "Board") does not recommend the payment of any dividend for the year ended 31 December 2020 (2019: HK$Nil).

## 26. CAPITAL, RESERVES AND DIVIDENDS (Continued)

### (c) Share capital

#### (i) Issued share capital

| | 2020 Number of shares | 2020 HK$'000 | 2019 Number of shares | 2019 HK$'000 |
|---|---|---|---|---|
| Ordinary shares, issued and fully paid: | | | | |
| At 1 January | **7,134,623,520** | **7,928,975** | 6,206,020,156 | 7,844,472 |
| Shares issued under rights issue *(Note 26(c)(iii))* | **–** | **–** | 928,603,364 | 92,860 |
| Transaction costs incurred in respect of rights issue | **–** | **–** | – | (8,357) |
| At 31 December | **7,134,623,520** | **7,928,975** | 7,134,623,520 | 7,928,975 |

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

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

#### (ii) Share option scheme

The Share Option Scheme was adopted by the Company on 24 May 2018 which will be valid and effective for a period of ten years from the date of adoption.

On 15 June 2018, Share Options carrying the rights to subscribe for a total of 279,200,000 Shares were granted to certain eligible persons under the Share Option Scheme at an exercise price of HK$0.210 per Share.

The fair value of the Share Options granted at the date of grant, 15 June 2018, was estimated at approximately HK$20,771,000. The fair value is determined by Binomial model using inputs, including share price of HK$0.15 per Share, exercise price of HK$0.21 per Share, volatility of 66%, risk-free rate of 2.25% and dividend yield of 0%.

As a result of the Rights Issue (as defined thereafter), the number of Shares issuable and the exercise price per Share payable upon exercise of the outstanding Share Options granted under the Share Option Scheme were adjusted from 279,200,000 to 287,240,960 and from HK$0.210 to HK$0.204 respectively.

No Share Option was exercised during the years ended 31 December 2020 and 2019. The Share Options carrying the rights to subscribe 19,547,200 Shares were lapsed during the year ended 31 December 2020 (2019: 26,131,520). As at 31 December 2020, there were outstanding exercisable Share Options carrying the rights to subscribe 241,562,240 Shares (2019: 261,109,440 Shares).

## 26. CAPITAL, RESERVES AND DIVIDENDS (Continued)

### (c) Share capital (Continued)

#### (iii) Rights issue

On 25 January 2019, the Company announced a fund raising proposal comprising a rights issue on the basis of three (3) new ordinary Shares of the Company (the "Rights Shares") for every four (4) existing Shares then held at the subscription price of HK$0.1 per Rights Share (the "Rights Issue"). On 4 June 2019, the Company completed the Rights Issue of 928,603,364 Shares for gross proceeds of approximately HK$92,860,000 (net proceeds of approximately HK$84,503,000).

### (d) Nature and purpose of reserves

#### (i) Capital reserve

The capital reserve is non-distributable. 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 statement of profit or loss of that subsidiary as at 30 September 2004. 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 and depreciation made by the subsidiary in respect of certain assets ("relevant assets") held by the subsidiary as at 30 September 2004 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 (the "Limit"), will be credited to a 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, the capital reserve shall not be treated as realised profits.

The Limit may be reduced by the amount of any increase in the issued share capital of the subsidiary or upon a capitalisation of distributable reserves. The Limit may also be reduced after the disposal or other realisation of the relevant assets by the amount of the charge to provision or depreciation made in relation to such asset as at 30 September 2004 less reversal as a result of such disposal or realisation. In the event that the amount standing to the credit of the 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 31 December 2020, the Limit of the capital reserve, as reduced by HK$3,629,041 (2019: HK$57,685,111) related to recoveries and reversals of provisions of the relevant assets, was HK$758,151,853 (2019: HK$761,780,894), and the amount standing to the credit of the capital reserve was HK$13,984,483 (2019: HK$13,984,483).

#### (ii) 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 3(n).

### (e) Distributability of reserves

At 31 December 2020, the aggregate amount of reserves of the Company available for distribution to equity shareholders of the Company, as calculated under the provisions of Part 6 of the Hong Kong Companies Ordinance, was HK$Nil (2019: HK$Nil).

## 27. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| The People's Republic of China taxation | **68** | 63 |

### (b) Deferred tax assets and liabilities recognised:

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

| Deferred tax arising from | Depreciation allowances in excess of the related depreciation<br>HK$'000 | Tax losses<br>HK$'000 | Total<br>HK$'000 |
|---|---|---|---|
| At 1 January 2019 | 56,992 | (357,517) | (300,525) |
| (Credited)/charged to the consolidated statement of profit or loss *(Note 9(a))* | (2,251) | 2,251 | – |
| At 31 December 2019 | 54,741 | (355,266) | (300,525) |
| At 1 January 2020 | **54,741** | **(355,266)** | **(300,525)** |
| (Credited)/charged to the consolidated statement of profit or loss *(Note 9(a))* | **(4,747)** | **4,747** | **–** |
| **At 31 December 2020** | **49,994** | **(350,519)** | **(300,525)** |

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| Net deferred tax assets recognised in the consolidated statement of financial position | **(300,525)** | (300,525) |

### (c) Deferred tax assets not recognised:

The Group has not recognised deferred tax assets in respect of unused tax losses amounting to approximately HK$4,275,651,000 (2019: HK$3,993,320,000) and deductible temporary differences of approximately HK$21,691,000 (2019: HK$9,854,000) due to the uncertainty in utilising the unused tax losses in the relevant entities. These unused tax losses have no expiry date.

## 28. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The reconciliation of liabilities arising from financing activities is as follows:

| | Convertible bonds HK$'000 | Leases HK$'000 | Interest-bearing borrowings HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **At 1 January 2019** | – | 181,485 | 495,000 | 676,485 |
| Changes from cash flows | | | | |
| Repayment of interest-bearing borrowings | – | – | (150,000) | (150,000) |
| Proceeds from issue of convertible bonds | 568,000 | – | – | 568,000 |
| Principal elements of lease payments | – | (28,016) | – | (28,016) |
| Other changes | | | | |
| Interest expenses | 8,868 | – | – | 8,868 |
| Equity component of convertible bonds | (224,281) | – | – | (224,281) |
| Inception of leases | – | 3,177 | – | 3,177 |
| Lease modification | – | (41,767) | – | (41,767) |
| **At 31 December 2019 and 1 January 2020** | **352,587** | **114,879** | **345,000** | **812,466** |
| Changes from cash flows | | | | |
| Repayment of interest-bearing borrowings | **–** | **–** | **(50,000)** | **(50,000)** |
| Principal elements of lease payments | **–** | **(30,391)** | **–** | **(30,391)** |
| Other changes | | | | |
| Interest expenses | **16,294** | **–** | **–** | **16,294** |
| Inception of leases | **–** | **25,697** | **–** | **25,697** |
| Lease modification | **–** | **(599)** | **–** | **(599)** |
| **At 31 December 2020** | **368,881** | **109,586** | **295,000** | **773,467** |

## 29. COMMITMENTS

(a) Capital commitments outstanding as at 31 December 2020 were as follows:

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| Property, plant and equipment | | |
| — Contracted but not provided for | **1,003** | 4,736 |
| Programming library | | |
| — Contracted but not provided for | **10,884** | 16,614 |
| | **11,887** | 21,350 |

(b) At 31 December 2020, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| — Within one year | **1,323** | 1,443 |
| — After one year but within five years | **909** | 2,322 |
| | **2,232** | 3,765 |

The operating lease commitment as at 31 December 2020 represents the total future minimum lease payments under non-cancellable short-term leases and low-value leases which are not included in lease liabilities.

## 29. COMMITMENTS (Continued)

### (c) Future operating lease income

The total future minimum lease payments receivable in respect of decoders under non-cancellable operating leases are as follows:

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| Within one year | **2,245** | 2,722 |

### (d) Funding commitment under television broadcasting licences are as follows:

(i) Upon acceptance of the renewal of the domestic pay television programme service licence of HKC on 29 May 2017 for the period of 12 years from 1 June 2017 to 31 May 2029, HKC has become subject to a commitment of a six-year investment plan of HK$3,447 million from 2017 to 2023, comprising HK$251 million of capital investment and HK$3,196 million of programming investment in content including in-house channels containing self-produced and/or acquired programmes as well as in acquired channels.

(ii) In accordance with the terms of the domestic free television programme service licence issued to FTL (the "Free TV Licence"), FTL has issued a performance bond in favour of the Hong Kong Government and the balance as at 31 December 2020 was HK$Nil (2019: HK$2 million). Under the terms of the performance bond, unless the Communications Authority otherwise approves or determines:

— within 18 months from the commencement date of the Free TV Licence (being 31 May 2016) (the "Free TV Commencement Date"), FTL should incur not less than HK$168 million as the capital and programming expenditure for providing the domestic free television programme service;

— within 30 months from the Free TV Commencement Date, FTL should incur not less than HK$336 million as the cumulative capital and programming expenditure for providing the domestic free television programme service; and

— within 42 months from the Free TV Commencement Date, FTL should incur not less than HK$504 million as the cumulative capital and programming expenditure for providing the domestic free television programme service.

FTL has already satisfied the investment requirements under the Free TV Licence as stated above.

## 30. GUARANTEES

As at 31 December 2020, a corporate guarantee had been provided by the Company to a bank of HK$400,000,000 (2019: HK$400,000,000) in respect of the facility of borrowing up to HK$400,000,000 (2019: HK$400,000,000) to a wholly-owned subsidiary of the Company, of which HK$295,000,000 (2019: HK$345,000,000) was utilised by the subsidiary of the Company.

As at 31 December 2020, the Group had made an arrangement with a bank to provide a performance bond to the counterparty amounting to approximately HK$33,830,000 (2019: two separate performance bonds were provided to the counterparties amounting to approximately HK$36,050,000), of which approximately HK$3,830,000 (2019: HK$6,050,000) was secured by bank deposits. The performance bond is to guarantee in favour of the counterparty the Group's performance in fulfilling the obligations under a contract.

## 31. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements of the Group, the Group entered into the following material related party transactions during the year ended 31 December 2020:

| | **2020 HK$'000** | 2019 HK$'000 |
|---|---|---|
| Finance costs paid to Forever Top | **11,360** | 6,532 |
| Hardware maintenance paid to a company wholly owned by a director | **1,680** | 560 |
| Rentals and related management fees on properties paid to a related company | **1,467** | 899 |

### Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's Directors as disclosed in Note 10 and other members of key management of the Group, is as follows:

| | **2020 HK$'000** | 2019 HK$'000 |
|---|---|---|
| Short-term employee benefits | **4,056** | 8,427 |
| Post-employment benefits | **300** | 496 |
| Equity compensation benefits | **–** | 914 |
| | **4,356** | 9,837 |

## 32. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. There is no impact on net loss, net assets or net cash flows as a result of the reclassification.

## 33. COMPANY LEVEL STATEMENT OF FINANCIAL POSITION

| | *Note* | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investments in subsidiaries | *18(a)* | **3,000** | 3,000 |
| Amounts due from subsidiaries | | **2,160,317** | 2,225,300 |
| | | **2,163,317** | 2,228,300 |
| **Current assets** | | | |
| Prepayments and other receivables | | **1,297** | 2,044 |
| Loan to a subsidiary | | **–** | 90,000 |
| Restricted bank balances | | **3,830** | 3,830 |
| Cash and bank balances | | **84,772** | 190,763 |
| | | **89,899** | 286,637 |
| **Total assets** | | **2,253,216** | 2,514,937 |
| **EQUITY** | | | |
| **Capital and reserves** | | | |
| Share capital | *26(c)* | **7,928,975** | 7,928,975 |
| Reserves | *26(a)* | **(6,744,564)** | (6,422,521) |
| **Total equity** | | **1,184,411** | 1,506,454 |
| **LIABILITIES** | | | |
| **Non-current liability** | | | |
| Convertible bonds | | **368,881** | 352,587 |
| **Current liabilities** | | | |
| Accrued expenses and other payables | | **2,607** | 2,144 |
| Amounts due to subsidiaries | | **697,317** | 653,752 |
| | | **699,924** | 655,896 |
| **Total liabilities** | | **1,068,805** | 1,008,483 |
| **Total equity and liabilities** | | **2,253,216** | 2,514,937 |

Approved and authorised for issue by the Board of Directors on 30 March 2021.

**Tan Sri Dato' David Chiu**
*Director*

**Dr. Cheng Kar-Shun, Henry**
*Director*

## 34. EVENTS AFTER THE REPORTING PERIOD

On 27 January 2021, the Company entered into the unlisted long-term convertible securities subscription agreement (the "2021 LCS Subscription Agreement") with Forever Top, pursuant to which the Company has conditionally agreed to issue, and Forever Top has conditionally agreed to subscribe for, the 2021 LCS. The principal amount of the 2021 LCS is HK$200,000,000. The 2021 LCS has a maturity of 10 years, with a coupon rate of 2% per annum, and can be convertible into Shares of the Company at an initial conversion price of HK$0.068 per the new Share to be issued upon exercise of the conversion rights under the 2021 LCS. The conversion price of the 2021 LCS is subject to adjustments as set out in the 2021 LCS Subscription Agreement.

Details of the 2021 LCS are set out in the Company's published announcement dated 27 January 2021 and circular dated 2 March 2021. The 2021 LCS Subscription Agreement and the transactions contemplated thereunder were approved by the independent shareholders of the Company on 23 March 2021.

# FIVE-YEAR FINANCIAL SUMMARY

(Expressed in HK$ million)

| | 2016 | 2017 | 2018 | 2019 | **2020** |
|---|---|---|---|---|---|
| **Results** | | | | | |
| Revenue | 1,406 | 1,258 | 1,163 | 1,161 | **1,069** |
| Operating expenses | (1,718) | (1,702) | (1,652) | (1,525) | **(1,303)** |
| Loss from operations | (312) | (444) | (489) | (364) | **(234)** |
| Interest income | – | 1 | 2 | 5 | **–** |
| Finance costs | (5) | (9) | (10) | (38) | **(41)** |
| Non-operating (expenses)/income | (1) | 86 | 42 | – | **–** |
| Loss before taxation | (318) | (366) | (455) | (397) | **(275)** |
| Income tax | 5 | 3 | (1) | – | **(1)** |
| Loss for the year | (313) | (363) | (456) | (397) | **(276)** |
| Attributable to: | | | | | |
| Equity shareholders of the Company | (313) | (363) | (456) | (397) | **(276)** |
| Loss from operations | (312) | (444) | (489) | (364) | **(234)** |
| Depreciation *(Note 1)* | 214 | 205 | 196 | 226 | **220** |
| Amortisation of other intangible assets | – | – | – | 2 | **4** |
| Loss from operations before depreciation and amortisation of other intangible assets *(Note 2)* | (98) | (239) | (293) | (136) | **(10)** |
| **Assets and Liabilities** | | | | | |
| Non-current assets | 1,414 | 1,384 | 1,335 | 1,350 | **1,237** |
| Current assets | 211 | 681 | 343 | 529 | **371** |
| Total assets | 1,625 | 2,065 | 1,678 | 1,879 | **1,608** |
| Share capital | 6,858 | 7,844 | 7,844 | 7,929 | **7,929** |
| Reserves | (6,353) | (6,714) | (7,120) | (7,289) | **(7,564)** |
| Total equity attributable to equity shareholders of the Company | 505 | 1,130 | 724 | 640 | **365** |
| Total liabilities | 1,120 | 935 | 954 | 1,239 | **1,243** |
| Total liabilities and equity | 1,625 | 2,065 | 1,678 | 1,879 | **1,608** |

*Notes:*

1. *The Group has adopted HKFRS 16 "Leases" from 1 January 2019 retrospectively but has not restated comparatives for the previous reporting period, as permitted under the specific transitional provisions in the standard. Depreciation of right-of-use assets recognised during the years ended 31 December 2020 and 31 December 2019 were approximately HK$37.2 million and HK$35.9 million respectively.*

2. *The Group presents the loss from operations before depreciation and amortisation of other intangible assets, a non-HKFRS financial measure, which is a supplemental information in relation to the operating performance of the Group to enable the stakeholders to evaluate and compare the performance across the same industry.*