鳳凰衛視

# PHOENIX MEDIA INVESTMENT (HOLDINGS) LIMITED
# 鳳凰衛視投資(控股)有限公司

*(Incorporated in the Cayman Islands with limited liability)*
**(Stock Code: 02008)**

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The board of directors (the "**Board**" or "**Directors**" and each of them a "**Director**") of Phoenix Media Investment (Holdings) Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") are pleased to announce the consolidated results of the Group for the year ended 31 December 2019.

## FINANCIAL SUMMARY

- Revenue for the year ended 31 December 2019 was approximately HK$3,688,231,000, which represented a decrease of 9.2% over the previous year.
- Operating loss of the Group for the year increased to approximately HK$727,912,000, in comparison with HK$66,698,000 for the previous year as a result of severe deterioration in the traditional media business environment and an increase in the contribution to the strategic upgrade of the Group.
- Fair value gain on internet media investment for the year was approximately HK$1,567,715,000, in comparison with HK$802,877,000 for the previous year.
- The profit attributable to owners of the Company was approximately HK$122,665,000, in comparison with HK$243,790,000 for the previous year.

## BUSINESS OVERVIEW AND PROSPECTS

Despite the disturbances in global political and economic environment and the drastic changes in the media market, in 2019, Phoenix TV continued to leverage its brand influence and professionalism to actively build an internationally leading high-tech omni-media group focused on content production and driven by cross-sector integration. During this second year of strategic transformation, the Group consistently promoted the integration of innovative developments in its omni-media structure and diversified business system, incubating a number of new synergetic business projects. During the year, the financial performance of the Group was in line with its transformation and upgrade. Mr. Liu Changle, the Chairman of the Board and Chief Executive Officer, emphasises that the international influence and credibility of Phoenix TV must be maintained and strategic innovations should be continuously pushed forward.

Phoenix TV continues to uphold its international characteristics and global influence on media. Based in Hong Kong and serving Chinese all over the world with nearly 60 correspondent stations worldwide, Phoenix TV delivers first-hand news to the Chinese audience globally with professionalism and passion, adhering to the reporting philosophy of "Chinese perspective", "live-broadcasting as a priority" and "exclusivity and uniqueness". In 2019, our global Phoenix TV team witnessed and reported global events such as the China-U.S. trade war and the related negotiation process, the Russia-North Korea summit, the G20 Summit in Osaka, the progress of Brexit, the U.S.-Iran Persian Gulf standoff; as well as major events in China including China's 70th anniversary celebrations, the 20th anniversary celebrations of Macau's return to China, the Second Belt and Road Forum for International Cooperation and the China International Import Expo in Shanghai. Phoenix TV's reporters were also able to conduct interviews with international dignitaries such as U.S. President Donald Trump, UK Prime Minister Boris Johnson and Syrian President Bashar al-Assad, which won praises and acclaims from Chinese audiences all over the world.

Phoenix TV's brand value and leading position in the industry continued to grow. Phoenix TV's programmes and promotional trailers have always been enjoying good reputations among Chinese media. With high quality and excellent programme production standard, Phoenix TV was crowned with four awards at the New York Festivals TV & Films Awards 2019, including Gold World Medal in the "Documentary: Human Concerns" category for *C'est La Vie: Ten Days*, demonstrating the outstanding capability and professionalism of Phoenix TV. Moreover, Phoenix TV was once again rated as one of The World's Top 500 Largest Media Companies and Asia's 500 Most Influential Brands in 2019. Phoenix TV also received The Best Brand Value of Hong Kong Listed Companies award in The Best Listed Companies in Greater China event, demonstrating Phoenix TV's brand influence and its status and reputation in the media and cultural areas.

In terms of strategic transmission medium expansion, our global transmission capability is continuously growing. Corresponding to the development trend of media carriers, Phoenix TV has expanded its global distribution channels to reach audiences worldwide through satellite, cable networks, mobile internet, over-the-top (OTT) platforms, IPTV and social media, satisfying the demands of different devices as well as different user groups. Phoenix TV has been expanding the product configurations of its programme contents. With *Phoenix Zone*, a video on-demand product, Phoenix TV works with a number of transmission medium and platforms to increase its area of coverage. Phoenix TV will continue to provide precise, customised content products and fully enhance its capability in content transmission and monetisation by making use of the extension of social media network and intelligent distribution algorithm technology.

Phoenix TV has been proactively promoting various initiatives in business operations and innovations, integrating advantages and resources of the Group, incessantly exploring different forms of innovative content products and enhancing the ability in content operations and monetisation. With the launch of Fengshows, an integrated media operating platform, Phoenix TV aims to bring new sources of profit from media services, pay-for-knowledge and fan economy. The platform operation of *Road to Peak* has expedited the integrated development of media and vertical industries and promoted the capitalisation of core media resources through the dual-pronged strategy of investment and media services, while the commercialised operation of *Phoenix Health* has enhanced Phoenix TV's capabilities in cross-sector resources integration as well as brand and content monetisation. Looking ahead, Phoenix TV will also actively promote the synergistic operation of multiple media platforms including television broadcasting, internet, large outdoor LED screens and weekly magazines. Through the provision of integrated media services to the end customers, Phoenix TV aims at reconstructing the value chain of the media industry.

The number of active users on the flagship product ifeng News App under Phoenix New Media, an internet media platform of the Group, has remained high. With user experience as priority, the product is continuously updated in terms of targeted push and interface optimisation through the use of artificial intelligence algorithms combined with editing operation. The Group has further enhanced its brand influence by creating premium contents such as vertical lifestyle channels and original IPs. Phoenix New Media has also expanded new business areas including online reading, real estate information platform and games. Large-scale offline events such as Phoenix Finance Summit also created a sensational effect in the industry. In March 2019, the Group strategically disposed of a portion of the investment in Yidian Zixun, which brought considerable investment income to the Group and provided a certain amount of capital to secure its strategic upgrade in the future.

Phoenix Metropolis Media works with global media providers, in fully satisfying the needs of its customers by providing them with professional services that are characterised by wide coverage, high reputation, strong planning and creativity as well as sufficient technical support. Phoenix Metropolitan Media continues to innovate in terms of creativity and technology. Creative interactive technologies such as naked-eye 3D, transparent 3D and live street view navigation, provide customers with a refreshing experience. Phoenix's outdoor LED media resources currently cover over 300 cities in China with over 900 screens. Its global network encompasses 19 countries and regions including the Americas, Europe, Oceania and Asia, achieving genuine global procurement and distribution.

The Group has also maintained systematic development in other business segments.

In the area of digital technology, Phoenix Digital Technology is an important establishment of the Group's technology innovation of contents, representing Phoenix's years of refinement in the fields of humanities and arts. In 2019, partnering with the Palace Museum, the high-tech interactive digital art exhibitions Along the River during the Qingming Festival 3.0 and A Panorama of Rivers and Mountains 3.0 were successfully held in Hong Kong, Guangzhou and Macau. Through various techniques such as digital multi-media, interactive experience, spatial display, a brand new immersive viewing experience was brought to the audience, receiving appreciation from all sectors. Phoenix Cloud is committed to transforming and marketising its media technologies accumulated over the years into digital products and services, actively promoting coordinated developments with the movie industry as well as the area of smart city. One of its products, Flying Fish, which represents an innovative mode of transfer and distribution of digital contents, will bring promising market development prospects.

In the area of cultural creativity, Phoenix Culture, serving as the cultural creativity industry platform of the Group, has formed a sustainable business model in areas such as IP contents development and incubation, large-scale performing arts, art exhibition and cultural tourism. Phoenix Entertainment owns the copyrights of the comics adapted from the 15 novels of Mr. Jin Yong. The next step is to speed up the creation and incubation of IP and enhance the ability to monetise IP products. As an integrated body of cultural creativity, Phoenix Culture will capitalise on its consolidated resources in the future, promote the extensive integration and development between the media and the industry, and facilitate the transformation and upgrading of the Group's cultural and creative business.

Phoenix Finance, a strategic investment by Phoenix TV, has been deeply involved in the area of digital wealth management. With the groundwork of technologies including big data, artificial intelligence and blockchain, it has already developed a cutting-edge intelligent technology architecture and application system to fully support the development of financial businesses and to achieve the omni-directional application of financial technology in inclusive finance, wealth management and international business sectors. In 2019, Phoenix Finance received from the Asian Banker the 2019 China Digital Wealth Management Service award, and was selected by KPMG to be listed as one of China Leading Fintech 50 in 2019. Capitalizing on its technical exploration in financial technology and end-user services, Phoenix Finance has already made it possible to provide one-stop full-cycle wealth management with the use of digital technology.

In view of the adverse impact of COVID-19 outbreak on global economies and market condition, it is foreseeable that operating condition will be difficult. I, the Chairman, wanted shareholders and stakeholders to know that we are working with both staff, clients and other stakeholders to manage through these unpredicted times. Phoenix as always, will leverage its core advantages in brand and contents and firmly adheres to professional journalism in future, while at the same time promoting transformation and innovation in the Group's structure and diversified business organisation, with an aim to build an international omni-media group with credibility, influence and communication capability, so as to answer to the expectation of the market and the loyal fans of Phoenix.

## RESULTS

The revenue of the Group for the year ended 31 December 2019 was approximately HK$3,688,231,000 (year ended 31 December 2018: HK$4,062,816,000), which represented a decrease of 9.2% over the previous year as a result of severe deterioration in the traditional media business environment. Due to an increase in the contribution to strategic upgrade, the operating costs for the year ended 31 December 2019 increased by 6.9% to approximately HK$4,416,143,000 (year ended 31 December 2018: HK$4,129,514,000).

The operating loss of the Group for the year ended 31 December 2019 was approximately HK$727,912,000 (year ended 31 December 2018: HK$66,698,000).

Fair value gain on financial assets related to subsequent measurement of internet media's investment in Particle Inc. for the year ended 31 December 2019 was approximately HK$1,567,715,000 (year ended 31 December 2018: HK$802,877,000). Particle Inc. is a strategic investment of Phoenix New Media Limited ("**PNM**"), a subsidiary of the Company, and it mainly operates the Yidian Zixun mobile APP featuring personalised interest-based information and news feed functions targeting the mass market.

Fair value loss of approximately HK$6,847,000 (year ended 31 December 2018: gain of HK$7,533,000) was recognised for the investment properties in Beijing and London.

The net exchange gain of the Group for the year ended 31 December 2019 was approximately HK$1,159,000 (year ended 31 December 2018: loss of HK$17,906,000).

The profit attributable to owners of the Company was approximately HK$122,665,000 (year ended 31 December 2018: HK$243,790,000).

The chart below summarises the performance of the Group for the year ended 31 December 2019 and the year ended 31 December 2018 respectively.

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* |
| Television broadcasting | **921,541** | 1,284,068 |
| Internet media | **1,777,598** | 1,690,804 |
| Outdoor media | **691,336** | 823,084 |
| Real estate | **49,048** | 68,404 |
| Other businesses | **248,708** | 196,456 |
| Group's total revenue | **3,688,231** | 4,062,816 |
| Operating costs | **(4,416,143)** | (4,129,514) |
| Operating loss | **(727,912)** | (66,698) |
| Fair value (loss)/gain on investment properties | **(6,847)** | 7,533 |
| Net gain on internet media investment | | |
| Fair value gain | **1,567,715** | 802,877 |
| Interest income | **—** | 4,389 |
| Exchange gain /(loss), net | **1,159** | (17,906) |
| Other income, net | **9,367** | 33,857 |
| Profit before share of results of joint ventures and associates, income tax and non-controlling interests | **843,482** | 764,052 |
| Share of results of joint ventures and associates | **(6,786)** | 14,059 |
| Income tax expense | **(252,468)** | (216,768) |
| Profit for the year | **584,228** | 561,343 |
| Non-controlling interests | **(461,563)** | (317,553) |
| Profit attributable to owners of the Company | **122,665** | 243,790 |
| Basic earnings per share, Hong Kong cents | **2.46** | 4.88 |

## MANAGEMENT DISCUSSION AND ANALYSIS

### Comments on Segmental Information

| | **Year ended 31 December** | | | |
|---|---|---|---|---|
| | **2019** | | 2018 | |
| | **Revenue** | **Segment results** | Revenue | Segment results |
| | ***HK$'000*** | ***HK$'000*** | *HK$'000* | *HK$'000* |
| Television broadcasting | **921,541** | **(63,679)** | 1,284,068 | 254,096 |
| Internet media | **1,777,598** | **1,265,042** | 1,690,804 | 726,798 |
| Outdoor media | **691,336** | **44,167** | 823,084 | 142,899 |
| Real estate | **49,048** | **(14,564)** | 68,404 | 36,193 |
| Other businesses | **248,708** | **(141,208)** | 196,456 | (99,203) |
| Group's total revenue and segment results | **3,688,231** | **1,089,758** | 4,062,816 | 1,060,783 |
| Unallocated income | | **36,392** | | 6,966 |
| Unallocated expenses | | **(282,668)** | | (303,697) |
| Profit before share of results of joint ventures and associates, income tax and non-controlling interests | | **843,482** | | 764,052 |

Revenue from television broadcasting, which comprised advertising, subscription and other revenue sources, accounted for 25.0% of the total revenue of the Group for the year ended 31 December 2019, decreased 28.2% to approximately HK$921,541,000 (year ended 31 December 2018: HK$1,284,068,000). The continued expansion of internet media has continued to pose a challenge to conventional media. As the cost structure is relatively fixed, the segmental loss for the television broadcasting business was approximately HK$63,679,000 for the year ended 31 December 2019 (year ended 31 December 2018: profit of HK$254,096,000).

Revenue from Phoenix Chinese Channel and Phoenix InfoNews Channel, which accounted for 21.7% of the total revenue of the Group for the year ended 31 December 2019, decreased 30.9% to approximately HK$801,447,000 (year ended 31 December 2018: HK$1,159,445,000).

The total revenue of Phoenix Hong Kong Channel, Phoenix Movies Channel, Phoenix North America Chinese Channel, Phoenix Chinese News and Entertainment Channel and others decreased 3.6% to approximately HK$120,094,000 (year ended 31 December 2018: HK$124,623,000).

The revenue of the internet media business for the year ended 31 December 2019 increased 5.1% to approximately HK$1,777,598,000 (year ended 31 December 2018: HK$1,690,804,000). The segmental profit of internet media business for the year ended 31 December 2019 was approximately HK$1,265,042,000 (year ended 31 December 2018: HK$726,798,000) as a result of a significant increase in net gain related to subsequent measurement of the investment in Particle Inc.

The revenue of the outdoor media business for the year ended 31 December 2019 decreased 16.0% to approximately HK$691,336,000 (year ended 31 December 2018: HK$823,084,000). The segmental profit of the outdoor media business for the year ended 31 December 2019 decreased 69.1% to approximately HK$44,167,000 (year ended 31 December 2018: HK$142,899,000).

The segmental loss for real estate business for the year ended 31 December 2019 was approximately HK$14,564,000 (year ended 31 December 2018: segmental profit of HK$36,193,000), which included the net fair value loss of approximately HK$6,847,000, recognised for the investment properties.

Please refer to Note 5 to the consolidated financial statements for a detailed analysis of segmental information and the section entitled "Business Overview and Prospects" in this announcement for commentary on the core business of the Group.

## DIVIDENDS

The Board did not recommend the payment of final dividend to the shareholders of the Company for the year (final dividend for 2018: 1 Hong Kong cent) due to the economic instability and challenges in the media industry ahead.

## ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the "**AGM**") will be held at No. 2-6 Dai King Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong on 5 June 2020, Friday at 3:00 p.m.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 2 June 2020, Tuesday to 5 June 2020, Friday (both dates inclusive), during which period no share transfer will be effected. In order to qualify for attending and voting at the forthcoming AGM, all share transfers must be lodged with the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 1 June 2020, Monday.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

As at 31 December 2019, as a result of the exercise of share options by the option holders, the Group's equity interest in PNM decreased from 54.51% to 54.49% (as at 31 December 2018: the Group's equity interest in PNM decreased from 54.96% to 54.51%).

## LIQUIDITY AND FINANCIAL RESOURCES

The liquidity and financial resources of the Group as at 31 December 2019 remained solid. As at 31 December 2019, the Group's total cash and current bank deposits were about HK$1,841,257,000 (as at 31 December 2018: HK$1,665,485,000), as well as structured deposits of approximately HK$1,420,370,000 (as at 31 December 2018: 1,030,227,000) which have been recorded as financial assets at fair value through profit or loss. The aggregated outstanding borrowings of the Group were approximately HK$820,929,000 (as at 31 December 2018: HK$1,206,367,000), representing non-interest bearing loans, non-interest bearing loans from non-controlling shareholders of subsidiaries, secured and interest bearing bank borrowings to fund the investment in Phoenix International Media Centre in Beijing and other secured and interest bearing bank borrowings. The gearing ratio of the Group, based on total liabilities to equity attributable to owners of the Company, was 80.7% as at 31 December 2019 (as at 31 December 2018: 57.0%). The increase in total liabilities was mainly contributed by lease liabilities of approximately HK$823,612,000 (as at 31 December 2018: Nil), which were recognised on adoption of HKRFS 16 Leases, and increase in accounts payable, other payables and accruals due to US$50,000,000 deposit received from the disposal of interest in Particle Inc.

Save as disclosed above, the financial position of the Group remained liquid. Most of the Group's monetary assets, liabilities and transactions are denominated in Hong Kong dollars, US dollars ("**USD**") and Renminbi ("**RMB**"), with minimal balances in Pound Sterling and New Taiwan dollars. The Group is therefore exposed to foreign exchange risks arising from currency exposures, primarily with respect to USD and RMB. The Group manages its foreign exchange risks by performing regular reviews and monitoring its foreign exchange exposure. The Group will consider using forward currency contracts as a tool to manage and reduce such risks. Taking into account the Group's current operational and capital requirements, the Directors do not consider the Group is significantly exposed to any foreign currency exchange risk.

## CHARGE ON ASSETS

As at 31 December 2019, the land and property in Chaoyang Park, Beijing, with carrying value of approximately HK$92,000,000, HK$335,000,000 and HK$1,472,000,000 (as at 31 December 2018: HK$96,000,000, HK$365,000,000 and HK$1,497,000,000) recorded in lease premium for land, property, plant and equipment and investment properties respectively were pledged with a bank to secure a bank borrowing to fund the investment in Phoenix International Media Centre in Beijing. Bank deposit of approximately HK$391,465,000 (as at 31 December 2018: HK$734,745,000) was pledged with a bank to secure a bank borrowing to optimise return through interest difference and arrangement of external security within the loan. The property in the United States with carrying value of approximately HK$2,680,000 (as at 31 December 2018: HK$2,720,000) was pledged with a bank to secure a bank borrowing.

Save as disclosed above, the Group did not have any other charges on its assets as at 31 December 2019 and 31 December 2018.

## CAPITAL STRUCTURE AND SHARE OPTIONS

As at 31 December 2019, the authorised share capital of the Company was HK$1,000,000,000 divided into 10,000,000,000 ordinary shares (the "**Shares**") of HK$0.10 each, of which 4,993,469,500 Shares (as at 31 December 2018: 4,993,469,500 Shares) had been issued and fully paid.

There was no option exercised under the Company's share option schemes during the year.

As at 31 December 2019, the operations of the Group were mainly financed by owners' equity, bank borrowings, loans from non-controlling shareholders of subsidiaries and banking facilities.

## STAFF

As at 31 December 2019, the Group employed 3,288 full-time staff (as at 31 December 2018: 2,869) at market remuneration supplemented with employee benefits such as comprehensive medical coverage, insurance plan, defined contribution pension schemes and employee share option schemes. Staff costs for the year ended 31 December 2019 increased to approximately HK$1,468,535,000 (year ended 31 December 2018: HK$1,286,214,000).

## SIGNIFICANT INVESTMENTS HELD

As at 31 December 2019, the Group invested in listed securities investments with estimated fair market value of approximately HK$18,575,000 (as at 31 December 2018: HK$19,782,000) which was recognised as "financial assets at fair value through profit or loss", and the unlisted preferred shares of Particle Inc. held by the Group was recognised as "financial assets at fair value through profit or loss" with estimated fair market value of approximately HK$2,258,645,000 (as at 31 December 2018 : HK$2,235,585,000). Save as disclosed above, the Group had not held any other significant investment for the year ended 31 December 2019.

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCE OF FUNDING

In view of the challenging environment ahead, the Group will continue to consolidate its existing businesses while exploring new business opportunities that will complement and enhance its existing businesses.

## CONTINGENT LIABILITIES

Various companies in the Group are involved in litigation arising in the ordinary course of their respective businesses. Having reviewed the outstanding claims and taking into account the legal advice received, the Directors are of the opinion that adequate provisions have been made in the consolidated financial information for the year.

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company had not redeemed any Shares. Neither the Company nor any of its subsidiaries had purchased or sold any of the Shares during the year.

## CORPORATE GOVERNANCE PRACTICES

The Company has adopted its own code on corporate governance which combined its existing principles and practices with most of the code provisions of the Corporate Governance Code (the "**Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") — with the objective of taking forward a corporate governance structure which builds on the Company's own standards and experience, while respecting the benchmarks set in the Code.

The Company has an in-house audit function to assist the Board in monitoring and advising on the effectiveness of the Group's governance, risk management and internal control processes. The risk management committee of the Company (the "**Risk Management Committee**") has monitored the progress on corporate governance practices, risk management and internal control systems of the Company throughout the year under review.

Save as disclosed below, the Company has, throughout the year ended 31 December 2019, complied with the Code.

### (1) Distinctive Roles of Chairman and Chief Executive Officer

*Code Provision*

Under code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

*Deviation and its Reasons*

Mr. LIU Changle has been continually serving as both the chairman of the Board and chief executive officer of the Company since its incorporation. He is responsible for managing the Board and the business of the Group.

On 26 November 2008, Mr. LIU entered into a non-competition deed (the "**Non-Competition Deed**") in favour of the Company which took effect on 5 December 2008 in order to manage any potential competing interest with the Group. Details of the Non-Competition Deed are set out in the announcement of the Company dated 26 November 2008.

Mr. LIU has also unconditionally and irrevocably undertaken to the Company that he shall use his best endeavours to ensure that his associates and the respective employees of his associates (except for those within the Group) observe the restrictions and undertakings contained in the Non-Competition Deed.

The Board considers that Mr. LIU's invaluable experience in the broadcasting industry is a great benefit to the Group. Through the supervision of the Board and the Board committees, balance of power and authority can be ensured and therefore, there is no imminent need to change the arrangement.

## (2) Appointments, Re-election and Removal

*Code Provision*

Under the second limb of code provision A.4.2, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

*Deviation and its Reason*

The chairman of the Board (the "**Chairman**"), namely Mr. LIU Changle, is not subject to retirement by rotation, which deviates from code provision A.4.2.

The reason for such deviation was due to the provision of the articles of association of the Company (the "**Articles of Association**"), which provided that the Chairman and/or the managing director shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire each year. The Board considers that consecutive appointment of the Chairman is beneficial to the direction and implementation of the Company's long term business planning and strategy, and as such, the Board is of the view that the Chairman should not be subject to retirement by rotation.

## (3) Effective Communications

*Code Provision*

Under code provision E.1.2, the chairman of the Board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend.

*Deviation and its Reason*

The Chairman, Mr. LIU Changle was absent from the AGM held on 5 June 2019 due to a conflicting business schedule, and he invited Mr. CHUI Keung, executive Director and the chairman of the Risk Management Committee, to chair the AGM on his behalf. Mr. LIU also invited Mr. Thaddeus Thomas BECZAK, the chairman of the audit committee (the "**Audit Committee**") and nomination committee of the Company to attend the AGM.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings as set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors.

Having made specific enquiries of all Directors, it was confirmed that the Directors have complied with the above-mentioned required standards of dealings regarding Directors' securities transactions throughout the year ended 31 December 2019.

The Company has also adopted a code of conduct governing securities transactions by the employees of the Group who may possess or have access to the inside information in relation to the Group or its securities.

## AUDIT COMMITTEE

The Audit Committee has reviewed the Group's annual results for the year ended 31 December 2019 and provided advice and comments thereon before such statements were presented to the Board for approval. The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income, consolidated income statement and related notes thereto for the year ended 31 December 2019 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

## OTHER IMPORTANT EVENTS AND SUBSEQUENT EVENTS

### Discloseable Transaction regarding the Acquisition of Interest in 北京易天新動網絡科技有限公司 (Beijing Yitian Xindong Network Technology Co., Ltd.*) ("Yitian Xindong")

On 18 December 2018, 北京塵寰科技有限公司(Beijing Chenhuan Technology Co., Ltd.*) ("**Chenhuan Technology**"), an indirect non-wholly owned subsidiary of the Company, entered into a share purchase and option agreement (the "**SP and Option Agreement**") with 天音通信有限公司 (Tianyin Telecommunication Co., Ltd.*) ("**Tianyin**") and 深圳市秉瑞信科技有限公司 (Bingruixin Technology Co., Ltd.*) ("**Bingruixin Technology**"). Pursuant to the SP and Option Agreement: (i) Tianyin agreed to sell and Chenhuan Technology agreed to purchase 25.5% of the equity interest in Yitian Xindong at a consideration of RMB144,100,000 (the "**Initial Acquisition**"); (ii) Tianyin provided certain undertakings on the operation and financial performance of the Yitian Xindong to Chenhuan Technology. Should Yitian Xindong's performance fail to meet any of the performance targets in either 2019 or 2020, Chenhuan Technology will be entitled to a refund of RMB85,300,000 (the "**Performance Target Undertakings**"). As security to the said refund, Tianyin will provide security fund or bank guarantee to Chenhuan Technology; (iii) Bingruixin Technology agreed to grant a call option to Chenhuan Technology to acquire a further 25.5% of the equity interest in Yitian Xindong at a consideration of RMB144,100,000 (the "**Call Option**").

* *For identification only*

On 1 March 2019, Chenhuan Technology exercised the Call Option and entered into a second share purchase agreement with Tianyin, Bingruixin Technology and Yitian Xindong (the "**Share Purchase Agreement**"). Pursuant to the Share Purchase Agreement: (i) Bingruixin Technology agreed to sell and Chenhuan Technology agreed to purchase 25.5% of the equity interest in Yitian Xindong at a consideration of RMB144,100,000 (the "**Second Acquisition**"); and (ii) Tianyin provided undertakings identical to the Performance Target Undertakings for the Second Acquisition and will provide security fund or bank guarantee for the said refund.

Upon the completion of the Initial Acquisition, Chenhuan Technology obtained control over Yitian Xindong. Chenhuan Technology holds an aggregated 51% of the equity interest in Yitian Xindong after the Second Acquisition. Yitian Xindong owns and operates Tadu, a leading online reading mobile application in China that serves more than 1,000,000 daily active users, and it is expected that the acquisition of Tadu will provide synergy to the Group's business.

**Very Substantial Disposal regarding the Disposal of Interest in Particle Inc.**

On 22 March 2019, PNM, an indirect non-wholly owned subsidiary of the Company, and Run Liang Tai Management Limited (the "**Purchaser**"), an independent third party, entered into a formal agreement regarding the sale and purchase of 32% equity interest in Particle Inc., on an as-if converted basis (the "**Formal Agreement**") which superseded the letter of intent previously entered into by the parties. Pursuant to the Formal Agreement, PNM agreed to sell and the Purchaser agreed to purchase 32% equity interest on an as-if converted basis held by PNM in Particle Inc., which comprised an aggregate of 199,866,509 shares of Particle Inc., (the "**Offshore Sale Shares**") and 37.169% of the equity interest of 北京一點網聚科技有限公司 (Beijing Yidianwanju Technology Co., Ltd.*) held by a nominee of PNM on behalf of 北京一點網聚信息技術有限公司 (Beijing Particle Information Technology Co., Ltd.*) under a series of contractual arrangements, at a consideration of US$448,000,000 and RMB3,719,167 in cash respectively (the "**Disposal**").

On 31 May 2019, PNM sent a completion confirmation letter to the Purchaser to confirm the satisfaction of all of the conditions precedents in the Formal Agreement (the "**Conditions**"). The Purchaser, however, disputed the satisfaction of certain Conditions.

On 23 July 2019, PNM and the Purchaser entered into a supplemental agreement (the "**Supplemental Agreement**"). The key terms of the Supplemental Agreement, amongst other things, are: (i) the parties conditionally agreed to carry out the completion regardless of whether any dispute is raised by any party in respect of satisfaction of the Conditions under the Formal Agreement; (ii) to adjust the amount of Offshore Sale Shares to an aggregate of 212,358,165 shares of Particle Inc.; (iii) the Purchaser will pay a further deposit in the sum of US$50,000,000 (the "**Further Deposit**") within 2 working days after the shareholder's approval of the transactions contemplated under the Supplemental Agreement; and (iv) completion shall take place in two stages: (a) the amount of consideration at the first completion is US$200,000,000 (subject to deduction of the deposit in the sum of US$100,000,000) for 94,802,752 shares of Particle Inc., the first completion shall take place within 7 working days after the shareholder's approval of the transactions contemplated under the Supplemental Agreement; (b) the amount of the consideration at the second completion is US$248,000,000 (subject to the deduction of the Further Deposit and all the interest accrued from any of the deposits) for 117,555,413 shares of Particle Inc., the second completion shall take place within 5 working days after payment of the consideration for the second completion (on or before 10 August 2020).

* *For identification only*

On 5 August 2019 Long De Holdings (Hong Kong) Co., Limited ("**Long De HK**") and Long De Chengzhang Culture Communication (Tianjin) Co., Ltd. (龍德成長文化傳播(天津)有限公司) ("**Long De Chengzhang**") issued an initial notice to PNM purporting to exercise their co-sale right under the shareholders agreement of Particle Inc.(the "**Shareholders Agreement**"). Pursuant to the terms of the Shareholders Agreement and the articles of association of the Particle Inc., when PNM as an existing shareholder of the Particle Inc. seeks to transfer its interest in the Particle Inc. to a third party, Long De Chengzhang and Long De HK, as existing shareholders of the Particle Inc. have a right to demand a co-sale of their interest in the Particle Inc. to such extent based on a pre-determined formula such that the number of Particle Inc. shares to be sold by PNM shall be reduced correspondingly.

In order to complete the Disposal as soon as practicable and after further arm's length commercial negotiations, on 20 January 2020, PNM entered into a new agreement with the Purchaser, Long De HK and Long De Chengzhang (Tianjin) Investment Management Center (Limited Partnership) ("**Long De Tianjin**") in respect of the Disposal and the co-sale event (the "**New Agreement**"). The key terms of the New Agreement, among other things, are: (i) the amount of Offshore Sale Shares to be sold by PNM to the Purchaser be adjusted to an aggregate of 202,563,176 shares of Particle Inc. at a consideration of US$427,336,067; (ii) the amount of Onshore Sale Shares to be transferred by PNM's nominee to the Purchaser be adjusted to 39.53% of the equity interest of 北京一點網聚科技有限公司 (Beijing Yidianwanju Technology Co., Ltd.*) at a consideration of RMB3,955,320; (iii) Long De HK will sell a total of 9,794,989 in Particle Inc. to the Purchaser at a consideration of US$20,663,933.72; (iv) PNM to grant the Purchaser an interest-free loan in a total amount of US$9,671,045.96.

For details of the Formal Agreement, the Supplemental Agreement, the New Agreement and the Disposal, please see the circular of the Company dated 14 May 2019 and 4 October 2019, and the announcement of the Company dated 25 July 2019 and 20 January 2020.

The principal business activities of the Particle Inc. and its subsidiaries are the operation of Yidian Zixun, a personalised news and life-style information application in China that allows users to define and explore desired content on their mobile devices.

**Continuing Connected Transaction between 神州電視有限公司 (Shenzhou Television Company Ltd.*) ("Shenzhou") and CNHK Media Limited ("CNHK Media")**

On 2 December 2019, Shenzhou, acting as the PRC advertising agent of Phoenix Satellite Television Company Limited ("**Phoenix TV**"), and CNHK Media entered into an advertising contract relating to the purchase of advertising airtime by CNHK Media (the "**2020 Contract**") for the ultimate benefits of the Group and 中國移動通信集團有限公司(China Mobile Communications Group Co., Ltd.*, "**CMCC**") and its associates (collectively "**CMCC Group**").

* *For identification only*

Pursuant to the 2020 Contract, CNHK Media agreed to purchase advertising airtime at the Phoenix Chinese Channel and the Phoenix InfoNews Channel for the period from 1 January 2020 to 31 December 2020 for the sum not exceeding RMB25,000,000 for promoting the CMCC Group. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, CNHK Media has entered into contract(s) with a subsidiary of CMCC in the PRC relating to and including the purchase of advertising airtime from Phoenix TV on behalf of CMCC Group covering the aforementioned period. As such, the entering of the 2020 Contract by CNHK Media is for the ultimate benefits of the CMCC Group.

Pursuant to Rule 14A.20(1) of the Listing Rules, the Company considered CNHK Media a deemed connected person of the Company. As the transactions contemplated under the 2020 Contract constitute continuing connected transactions for the Company under the Listing Rules and all of the applicable percentage ratios in respect of the annual cap for the transactions are more than 0.1% but less than 5%, the transactions are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules. For details, please refer to the Company's announcements dated 2 December 2019.

## PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the website of the Stock Exchange at www.hkexnews.hk, and the Company's investor relations website at www.irasia.com/listco/hk/phoenixtv. The 2019 annual report of the Company will be despatched to the Shareholders and published on the above-mentioned websites on or before 24 April 2020.

## CONSOLIDATED FINANCIAL INFORMATION

The Board has the pleasure of presenting the consolidated financial information of the Group as at and for the year ended 31 December 2019, together with the comparative figures for the year ended 31 December 2018.

**CONSOLIDATED INCOME STATEMENT**
*For the year ended 31 December 2019*
*(Amounts expressed in Hong Kong dollars)*

| | Note | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|---|
| Revenue | 3 | **3,688,231** | 4,062,816 |
| Operating expenses | 6 | **(3,262,829)** | (2,976,886) |
| Selling, general and administrative expenses | 6 | **(1,153,314)** | (1,152,628) |
| Other gains, net | | | |
| Fair value (loss)/gain on investment properties | | **(6,847)** | 7,533 |
| Other operating gains, net | 4 | **1,606,013** | 799,839 |
| Interest income | | **37,002** | 61,422 |
| Interest expense | | **(64,774)** | (38,044) |
| Share of profits less losses of joint ventures | | **(2,662)** | 3,427 |
| Share of profits less losses of associates | | **(4,124)** | 10,632 |
| **Profit before income tax** | 6 | **836,696** | 778,111 |
| Income tax expense | 7 | **(252,468)** | (216,768) |
| **Profit for the year** | | **584,228** | 561,343 |
| **Profit attributable to:** | | | |
| Owners of the Company | | **122,665** | 243,790 |
| Non-controlling interests | | **461,563** | 317,553 |
| | | **584,228** | 561,343 |
| **Earnings per share for profit attributable to the owners of the Company for the year** | | | |
| Basic earnings per share, Hong Kong cents | 8 | **2.46** | 4.88 |
| Diluted earnings per share, Hong Kong cents | 8 | **2.46** | 4.88 |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
*For the year ended 31 December 2019*
*(Amounts expressed in Hong Kong dollars)*

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Profit for the year** | **584,228** | 561,343 |
| **Other comprehensive income:** | | |
| *Items that have been reclassified/may be reclassified to profit or loss* | | |
| Currency translation differences | **(37,519)** | (183,006) |
| **Total comprehensive income for the year** | **546,709** | 378,337 |
| **Attributable to:** | | |
| Owners of the Company | **97,675** | 128,931 |
| Non-controlling interests | **449,034** | 249,406 |
| | **546,709** | 378,337 |

**CONSOLIDATED BALANCE SHEET**
*As at 31 December 2019*
*(Amounts expressed in Hong Kong dollars)*

| | Note | **2019** **HK$'000** | 2018 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Purchased programme and film rights, net | | **19,895** | 10,772 |
| Lease premium for land | | — | 198,636 |
| Right-of-use assets | *17* | **978,220** | — |
| Property, plant and equipment, net | | **957,736** | 1,045,483 |
| Investment properties | | **1,490,452** | 1,512,304 |
| Intangible assets | | **239,637** | 190,471 |
| Investments in joint ventures | | **38,407** | 56,723 |
| Investments in associates | | **45,827** | 89,734 |
| Financial assets at fair value through profit or loss | *13* | — | 18,909 |
| Other long-term assets | | **61,210** | 79,299 |
| Deferred income tax assets | | **84,422** | 72,332 |
| | | **3,915,806** | 3,274,663 |
| **Current assets** | | | |
| Accounts receivable, net | *10* | **1,083,537** | 919,122 |
| Prepayments, deposits and other receivables | | **735,953** | 858,652 |
| Inventories | | **9,353** | 10,114 |
| Amounts due from related companies | | **46,998** | 90,834 |
| Self-produced programmes | | **8,456** | 8,434 |
| Purchased programme and film rights, net | | **281** | 163 |
| Financial assets at fair value through profit or loss | *13* | **3,827,197** | 3,285,594 |
| Prepaid tax | | **5,255** | 13,662 |
| Pledged bank deposits | | **391,465** | 734,745 |
| Bank deposits | | **310,693** | 419,305 |
| Restricted cash | | **92,703** | 226 |
| Cash and cash equivalents | | **1,530,564** | 1,246,180 |
| | | **8,042,455** | 7,587,031 |
| **Total assets** | | **11,958,261** | 10,861,694 |

| | Note | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|---|
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | | **499,347** | 499,347 |
| Reserves | | **4,862,355** | 4,979,582 |
| | | **5,361,702** | 5,478,929 |
| **Non-controlling interests** | | **2,269,961** | 2,257,223 |
| **Total equity** | | **7,631,663** | 7,736,152 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Secured bank borrowings | *12(a)* | **29,735** | 92,221 |
| Lease liabilities | *17* | **608,821** | — |
| Financial liabilities at fair value through profit or loss | *13* | **2,501** | 5,363 |
| Other long-term liabilities | | **4,615** | 4,672 |
| Loans from non-controlling shareholders of subsidiaries | *12(b)* | **154,625** | 235,428 |
| Deferred income tax liabilities | | **399,376** | 337,183 |
| | | **1,199,673** | 674,867 |
| **Current liabilities** | | | |
| Accounts payable, other payables and accruals | *11* | **1,898,802** | 1,324,125 |
| Secured bank borrowings | *12(a)* | **402,217** | 732,967 |
| Lease liabilities | *17* | **214,791** | — |
| Deferred income | | **265,613** | 192,436 |
| Loans from non-controlling shareholders of a subsidiary | *12(b)* | **229,737** | 141,079 |
| Current income tax liabilities | | **92,257** | 59,213 |
| Financial liabilities at fair value through profit or loss | *13* | **23,508** | 855 |
| | | **3,126,925** | 2,450,675 |
| **Total liabilities** | | **4,326,598** | 3,125,542 |
| **Total equity and liabilities** | | **11,958,261** | 10,861,694 |

## NOTES

*(Amounts expressed in Hong Kong dollars)*

### 1 GENERAL INFORMATION

Phoenix Media Investment (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") engage principally in satellite television broadcasting and provision of internet media services.

The Company is a limited liability company incorporated in the Cayman Islands and domiciled in Hong Kong Special Administrative Region of the People's Republic of China ("PRC"). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

### 2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. They have been prepared under the historical cost convention, except for the revaluation of investment properties and financial assets at fair value through profit or loss.

#### (a) Effect of adopting new standards and amendments to standards effective in 2019

| | |
|---|---|
| HKFRS 9 (Amendments) | Prepayment Features with Negative Compensation |
| HKFRS 16 | Leases |
| HKAS 19 (Amendments) | Plan Amendment, Curtailment for Settlement |
| HKAS 28 (Amendments) | Long-term Interests in Associates and Joint Ventures |
| HK (IFRIC) 23 | Uncertainty over Income Tax Treatments |
| Annual Improvements | Annual Improvements 2015-2017 Cycle |

Except for HKFRS 16, the adoption of the other new or revised standards, amendments and improvements to standards and interpretations of HKFRS stated above did not have any significant impact on the Group's consolidated financial statements in the current and prior periods. The impact of the adoption of HKFRS 16 is disclosed in Note 17.

#### (b) New standards, amendments to standards and interpretations not yet adopted by the Group

The following new standards, amendments to standards and interpretations have been issued but are not yet effective for the financial year ended 31 December 2019 and have not been early adopted by the Group:

| | |
|---|---|
| HKFRS 3 (Amendments) | Definition of Business [(1)] |
| HKFRS 17 | Insurance Contracts [(2)] |
| HKAS 1 and HKAS 8 (Amendments) | Definition of Material [(1)] |
| HKFRS 10 and HKAS 28 (Amendments) | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [(3)] |
| Conceptual Framework for Financial Reporting 2018 | Revised Conceptual Framework for Financial Reporting [(1)] |

(1) Effective for annual period beginning on 1 January 2020
(2) Effective for annual period beginning on 1 January 2021
(3) Effective date to be determined

These standards are not expected to have a material impact on the Group in the current or future reporting periods.

## 3 REVENUE

The Group is principally engaged in satellite television broadcasting and the provision of internet media services. An analysis of the Group's revenue by nature is as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Advertising sales | | |
| Television broadcasting | **814,943** | 1,176,750 |
| Internet media | **1,447,980** | 1,453,183 |
| Outdoor media | **691,336** | 823,084 |
| Mobile, video and wireless value added services income | **329,618** | 237,621 |
| Subscription sales | **73,259** | 75,444 |
| Magazine advertising and subscription or circulation | **32,657** | 34,669 |
| Rental income | **49,048** | 68,404 |
| Others | **249,390** | 193,661 |
| | **3,688,231** | 4,062,816 |

## 4 OTHER OPERATING GAINS, NET

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Exchange gain/(loss), net | **1,159** | (17,906) |
| Investment income | **14,052** | 10,458 |
| Fair value gain on financial assets at fair value through profit or loss | | |
| Investment in Particle Inc. | **1,567,715** | 802,877 |
| Other financial assets | **83,358** | 1,148 |
| Provision for impairment of amounts due from joint ventures | **—** | (3,133) |
| Reversal of impairment of amount due from an associate | **—** | 1,199 |
| Provision for impairment of other receivables | **(43,279)** | — |
| Impairment of investment in an associate | **(29,884)** | — |
| Others, net | **12,892** | 5,196 |
| | **1,606,013** | 799,839 |

## 5 SEGMENT INFORMATION

| | Year ended 31 December 2019 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Television broadcasting | | | | | | | | |
| | Primary channels *HK$'000* | Others *HK$'000* | Sub-total *HK$'000* | Internet media *HK$'000* | Outdoor media *HK$'000* | Real estate *HK$'000* | Other activities *HK$'000* | Inter-segment elimination *HK$'000* | Group *HK$'000* |
| **Revenue** | | | | | | | | | |
| External sales | 801,447 | 120,094 | 921,541 | 1,777,598 | 691,336 | 49,048 | 248,708 | — | 3,688,231 |
| Inter-segment sales *(Note c)* | — | 32,538 | 32,538 | 16,635 | 4,532 | 23,959 | 10,645 | (88,309) | — |
| **Total revenue** | 801,447 | 152,632 | 954,079 | 1,794,233 | 695,868 | 73,007 | 259,353 | (88,309) | 3,688,231 |
| **Timing of revenue recognition** | | | | | | | | | |
| At point in time | — | 713 | 713 | 293,980 | — | — | 21,599 | — | 316,292 |
| Over time | 801,447 | 119,381 | 920,828 | 1,483,618 | 691,336 | 4,576 | 227,109 | — | 3,327,467 |
| Revenue from other source | — | — | — | — | — | 44,472 | — | — | 44,472 |
| | 801,447 | 120,094 | 921,541 | 1,777,598 | 691,336 | 49,048 | 248,708 | — | 3,688,231 |
| Segment results | 17,230 | (80,909) | (63,679) | 1,265,042 | 44,167 | (14,564) | (141,208) | — | 1,089,758 |
| Unallocated income *(Note a)* | | | | | | | | | 36,392 |
| Unallocated expenses *(Note b)* | | | | | | | | | (282,668) |
| Profit before share of result of joint ventures/associates, income tax and non-controlling interests | | | | | | | | | 843,482 |
| Share of profit less losses of joint ventures | | | | | | | | | (2,662) |
| Share of profits less losses of associates | | | | | | | | | (4,124) |
| Income tax expense | | | | | | | | | (252,468) |
| Profit for the year | | | | | | | | | 584,228 |
| Non-controlling interests | | | | | | | | | (461,563) |
| Profit attributable to owners of the Company | | | | | | | | | 122,665 |
| Depreciation | (11,770) | (14,154) | (25,924) | (92,425) | (169,050) | (33,649) | (31,094) | — | (352,142) |
| Unallocated depreciation | | | | | | | | | (35,211) |
| | | | | | | | | | (387,353) |
| Interest income | — | 1,074 | 1,074 | 20,131 | 3,866 | 267 | 643 | — | 25,981 |
| Unallocated interest income | | | | | | | | | 11,021 |
| | | | | | | | | | 37,002 |
| Interest expenses | — | (103) | (103) | (12,035) | (26,761) | (8,535) | (4,707) | — | (52,141) |
| Unallocated interest expenses | | | | | | | | | (12,633) |
| | | | | | | | | | (64,774) |
| Reversal of provision for impairment of accounts receivable | — | — | — | 36,532 | — | — | — | — | 36,532 |
| Provision for impairment of accounts receivable | (3,470) | (470) | (3,940) | (69,440) | (6,167) | — | (36) | — | (79,583) |

| | Year ended 31 December 2018 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Television broadcasting | | | | | | | | |
| | Primary channels *HK$'000* | Others *HK$'000* | Sub-total *HK$'000* | Internet media *HK$'000* | Outdoor media *HK$'000* | Real estate *HK$'000* | Other activities *HK$'000* | Inter-segment elimination *HK$'000* | Group *HK$'000* |
| **Revenue** | | | | | | | | | |
| External sales | 1,159,445 | 124,623 | 1,284,068 | 1,690,804 | 823,084 | 68,404 | 196,456 | — | 4,062,816 |
| Inter-segment sales *(Note c)* | — | 35,799 | 35,799 | 15,298 | 3,876 | 43,926 | 13,635 | (112,534) | — |
| **Total revenue** | 1,159,445 | 160,422 | 1,319,867 | 1,706,102 | 826,960 | 112,330 | 210,091 | (112,534) | 4,062,816 |
| **Timing of revenue recognition** | | | | | | | | | |
| At point in time | — | 48 | 48 | 174,782 | — | — | 11,433 | — | 186,263 |
| Over time | 1,159,445 | 124,575 | 1,284,020 | 1,516,022 | 823,084 | 3,170 | 185,023 | — | 3,811,319 |
| Revenue from other source | — | — | — | — | — | 65,234 | — | — | 65,234 |
| | 1,159,445 | 124,623 | 1,284,068 | 1,690,804 | 823,084 | 68,404 | 196,456 | — | 4,062,816 |
| Segment results | 319,527 | (65,431) | 254,096 | 726,798 | 142,899 | 36,193 | (99,203) | — | 1,060,783 |
| Unallocated income *(Note a)* | | | | | | | | | 6,966 |
| Unallocated expenses *(Note b)* | | | | | | | | | (303,697) |
| Profit before share of result of joint ventures/associates, income tax and non-controlling interests | | | | | | | | | 764,052 |
| Share of profit less losses of joint ventures | | | | | | | | | 3,427 |
| Share of profits less losses of associates | | | | | | | | | 10,632 |
| Income tax expense | | | | | | | | | (216,768) |
| Profit for the year | | | | | | | | | 561,343 |
| Non-controlling interests | | | | | | | | | (317,553) |
| Profit attributable to owners of the Company | | | | | | | | | 243,790 |
| Depreciation | (16,836) | (15,269) | (32,105) | (38,413) | (31,780) | (35,570) | (8,382) | — | (146,250) |
| Unallocated depreciation | | | | | | | | | (40,129) |
| | | | | | | | | | (186,379) |
| Interest income | — | 937 | 937 | 44,011 | 3,563 | 83 | 374 | — | 48,968 |
| Unallocated interest income | | | | | | | | | 12,454 |
| | | | | | | | | | 61,422 |
| Interest expenses | — | (70) | (70) | (16,210) | — | (11,900) | — | — | (28,180) |
| Unallocated interest expenses | | | | | | | | | (9,864) |
| | | | | | | | | | (38,044) |
| Reversal of provision for impairment of accounts receivable | — | — | — | 11,470 | — | — | — | — | 11,470 |
| Provision for impairment of accounts receivable | — | — | — | (38,087) | (3,187) | — | (12,418) | — | (53,692) |
| Provision for impairment of amount due from a joint venture | — | — | — | (3,133) | — | — | — | — | (3,133) |
| Reversal of provision for impairment of amount due from an associate | — | — | — | 1,199 | — | — | — | — | 1,199 |

*Notes:*

(a) Unallocated income represents exchange gain, interest income, investment income and other income.

(b) Unallocated expenses represent primarily:

- — corporate staff costs;
- — office rental;
- — general administrative expenses;
- — marketing and advertising expenses related to the Group as whole; and
- — exchange loss

(c) Sales between segments are carried out based on terms determined by management with reference to market prices.

Revenue from external customers by country, based on the destination of the customer:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| The PRC | **3,460,200** | 3,874,755 |
| Hong Kong | **150,274** | 110,428 |
| Others | **77,757** | 77,633 |
| | **3,688,231** | 4,062,816 |

Non-current assets, other than financial instruments and deferred income tax assets, by country:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| The PRC | **3,391,014** | 2,523,741 |
| Hong Kong | **330,370** | 617,085 |
| Others | **110,000** | 42,596 |
| | **3,831,384** | 3,183,422 |

## 6 PROFIT BEFORE INCOME TAX

The following items have been (credited)/charged to the profit before income tax during the year:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Crediting** | | |
| Reversal of provision for impairment of accounts receivable | **(36,532)** | (11,470) |
| Gain on disposal of property, plant and equipment | **(1,316)** | (1,801) |
| **Charging** | | |
| Production costs of self-produced programmes | **204,597** | 197,568 |
| Commission expenses | **325,747** | 403,341 |
| Bandwidth costs | **68,630** | 67,274 |
| Provision for impairment of accounts receivable | **79,583** | 53,692 |
| Employee benefit expenses (including Directors' emoluments) | **1,468,535** | 1,286,214 |
| Operating lease rental in respect of | | |
| — Directors' quarters | **2,160** | 1,872 |
| — Land and buildings of third parties | **29,835** | 70,953 |
| — LED panels | **5,625** | 251,063 |
| Loss on disposal of property, plant and equipment | **5,098** | 2,543 |
| Depreciation of property, plant and equipment | **178,195** | 186,379 |
| Depreciation of right-of-use assets | **209,158** | — |
| Amortisation of purchased programme and film rights | **12,188** | 9,306 |
| Amortisation of lease premium for land | **—** | 5,833 |
| Amortisation of intangible assets | **45,430** | 10,377 |
| Impairment of intangible assets | **6,245** | 10,277 |
| Auditor's remuneration | | |
| — Audit services | **15,085** | 15,663 |
| — Non-audit services | **1,127** | 1,156 |
| Outgoings for investment properties | **3,346** | 6,001 |

## 7 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profit for the year. Taxation on PRC and overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current income tax | | |
| — Hong Kong profits tax | **—** | 3,628 |
| — PRC and overseas taxation | **34,656** | 59,987 |
| — Under provision of tax in the prior year | **1,687** | 2,134 |
| Deferred income tax | **216,125** | 151,019 |
| | **252,468** | 216,768 |

On 20 January 1998, the PRC State Administration of Taxation granted a Tax Ruling of Business Tax and Foreign Enterprise Income Tax on certain of the Group's advertising fees collected from an advertising agent, Shenzhou in the PRC (the "Ruling"). The Group has dealt with the aforementioned taxes according to the Ruling in the consolidated financial statements. However, PRC tax laws and regulations and the interpretations thereof may change in the future so that the Group would be subject to PRC taxation on certain income deemed to be sourced in the PRC other than Hong Kong. The Group will continue to monitor developments in the PRC tax regime in order to assess the ongoing applicability and validity of the Ruling.

A deferred tax provision of approximately HK$221,442,000 (2018: HK$149,300,000) has been recorded in the Group's consolidated income statement during the year ended 31 December 2019. The tax provision is related to the Group's investment in convertible redeemable preferred shares which the Group now expects to recover through sale.

## 8 EARNINGS PER SHARE

### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

| | **2019** | 2018 |
|---|---|---|
| Profit attributable to owners of the Company *(HK$'000)* | **122,665** | 243,790 |
| Weighted average number of ordinary shares in issue *('000)* | **4,993,470** | 4,993,470 |
| Basic earnings per share *(Hong Kong cents)* | **2.46** | 4.88 |

### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has dilutive potential ordinary shares which comprise share options of the Company and a subsidiary (2018: share options of the Company and a subsidiary).

A calculation is done to determine the number of the Company's shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options of the Company. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. Where the number of shares so calculated is smaller than the number of shares that would have been issued assuming the exercise of all the outstanding share options, the difference represents potential dilutive shares and is added to the weighted average number of ordinary shares in issue to arrive at the weighted average number of ordinary shares for diluted earnings per share. There was no dilutive potential ordinary shares in existence during 2019 as the share options of the Company and a subsidiary were anti-dilutive.

| | **2019** | 2018 |
|---|---|---|
| Profit attributable to owners of the Company *(HK$'000)* | **122,665** | 243,790 |
| Weighted average number of ordinary shares in issue *('000)* | **4,993,470** | 4,993,470 |
| Adjustment for share options of the Company *('000)* | **—** | — |
| Weighted average number of ordinary shares for diluted earnings per share *('000)* | **4,993,470** | 4,993,470 |
| Diluted earnings per share *(Hong Kong cents)* | **2.46** | 4.88 |

## 9 DIVIDENDS

The 2018 final dividends paid during the year ended 31 December 2019 were approximately HK$49,935,000 (1 Hong Kong cent per share). The Board of Directors of the Company ("Board") did not recommend the payment of final dividend to shareholders for the year.

## 10 ACCOUNTS RECEIVABLE, NET

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Accounts receivable | **1,272,576** | 1,056,184 |
| Less: Provision for impairment | **(189,039)** | (137,062) |
| | **1,083,537** | 919,122 |

The carrying amounts of accounts receivable, net, approximate their fair values.

The Group has appointed an advertising agent in the PRC to promote the sales of the Group's advertising airtime and programme sponsorship and collect advertising revenues within the PRC on behalf of the Group. The Group generally requires its advertising customers to pay in advance. Customers of other business segments are given credit terms of 30 to 180 days.

At 31 December 2019, the ageing analysis of the accounts receivable from customers was as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0-30 days | **353,734** | 277,630 |
| 31-60 days | **183,529** | 208,012 |
| 61-90 days | **129,314** | 156,020 |
| 91-120 days | **116,104** | 116,490 |
| Over 120 days | **489,895** | 298,032 |
| | **1,272,576** | 1,056,184 |
| Less: Provision for impairment | **(189,039)** | (137,062) |
| | **1,083,537** | 919,122 |

The carrying amounts of the Group's accounts receivable are denominated in the following currencies:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| RMB | **1,252,773** | 1,040,513 |
| US$ | **13,191** | 12,610 |
| UK pound | **5,371** | 1,666 |
| Other currencies | **1,241** | 1,395 |
| | **1,272,576** | 1,056,184 |

## 11 ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Accounts payable | **396,579** | 391,350 |
| Other payables and accruals | **1,502,223** | 932,775 |
| | **1,898,802** | 1,324,125 |
| Less: Non-financial liabilities | **(4,229)** | (13,400) |
| | **1,894,573** | 1,310,725 |

At 31 December 2019, the ageing analysis of the accounts payable was as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0-30 days | **231,019** | 237,882 |
| 31-60 days | **18,883** | 13,986 |
| 61-90 days | **25,379** | 18,973 |
| 91-120 days | **16,124** | 11,663 |
| Over 120 days | **105,174** | 108,846 |
| | **396,579** | 391,350 |

The carrying amounts of accounts payable, other payables and accruals approximate their fair values.

The carrying amounts of accounts payable, other payables and accruals are denominated in the following currencies:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| HK$ | **223,721** | 221,099 |
| RMB | **1,660,682** | 1,077,581 |
| US$ | **5,910** | 8,229 |
| UK pound | **3,553** | 3,233 |
| Other currencies | **707** | 583 |
| | **1,894,573** | 1,310,725 |

## 12 BORROWINGS

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Secured bank borrowings *(Note a)* | **431,952** | 825,188 |
| Loans from non-controlling shareholders of subsidiaries *(Note b)* | **384,362** | 376,507 |
| | **816,314** | 1,201,695 |

### (a) Secured bank borrowings

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Non-current** | | |
| Long-term secured bank borrowings | **29,735** | 92,221 |
| **Current** | | |
| Current portion of long-term secured bank borrowings | **402,217** | 732,967 |
| Total secured bank borrowings | **431,952** | 825,188 |

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| The secured bank borrowings are repayable as follows: | | |
| — Within one year | **402,217** | 732,967 |
| — More than one year but not exceeding two years | **27,878** | 62,090 |
| — More than two years but not exceeding five years | **—** | 28,222 |
| — More than five years | **1,857** | 1,909 |
| Total secured bank borrowings | **431,952** | 825,188 |

### (b) Loans from non-controlling shareholders of subsidiaries

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Non-current** | | |
| Long-term loans from non-controlling shareholders of subsidiaries | **154,625** | 235,428 |
| **Current** | | |
| Short-term loans from non-controlling shareholders of subsidiaries | **229,737** | 141,079 |
| Total loans from non-controlling shareholders of subsidiaries | **384,362** | 376,507 |

| | 2019<br>*HK$'000* | 2018<br>*HK$'000* |
|---|---|---|
| The loans from non-controlling shareholders of subsidiaries are repayable as follows: | | |
| — Within one year | **229,737** | 141,079 |
| — More than one year but not exceeding two years | **121,561** | 78,889 |
| — More than two years but not exceeding five years | **10,762** | 133,961 |
| — More than five years | **22,302** | 22,578 |
| Total loan from non-controlling shareholders of subsidiaries | **384,362** | 376,507 |

The loans from non-controlling shareholders of subsidiaries are denominated in RMB, unsecured and interest-free (2018: same).

## 13 FINANCIAL ASSETS/(LIABILITIES) AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2019<br>*HK$'000* | 2018<br>*HK$'000* |
|---|---|---|
| **Non-current assets** | | |
| Option for long term investment | **—** | 18,909 |
| **Current assets** | | |
| Option for long term investment | **19,800** | — |
| Trading equity securities | **18,575** | 19,782 |
| Convertible redeemable preferred shares *(Note 14)* | **2,258,645** | 2,235,585 |
| Option for refund of consideration in an acquisition | **109,807** | — |
| Structured deposits | **1,420,370** | 1,030,227 |
| | **3,827,197** | 3,285,594 |
| **Current liability** | | |
| Forward option for disposal of investment | **(17,828)** | — |
| Interest rate swap contract | **—** | (855) |
| Cross-currency interest rate swap contract | **(5,680)** | — |
| | **(23,508)** | (855) |
| **Non-current liability** | | |
| Interest rate swap contract | **(2,501)** | — |
| Cross-currency interest rate swap contract | **—** | (5,363) |
| | **(2,501)** | (5,363) |

## 14 INVESTMENTS IN AND LOANS TO PARTICLE INC. ("PARTICLE")

In 2014, Phoenix New Media Limited ("PNM") invested in a number of Series B Preferred Shares of Particle. In 2017, PNM further invested approximately HK$496,989,000 in Series C Preferred Shares of Particle.

On 28 January 2016, the board of directors of PNM have authorised to provide short-term unsecured loans to Particle in an aggregate principal amount of up to US$20,000,000 (approximately HK$155,138,000) (the "Loans") at an interest rate of 4.35% per annum with a term of twelve months and convertible options of which PNM may, at its option, convert all or a portion of the Loans together with any unpaid interest into Series D1 Preferred Shares ("Conversion Options") at any time prior to 31 December 2018, subject to the completion of issuance of Series D Preferred Shares by Particle. Particle has drawn down all of the US$20,000,000 loans in April 2016.

On 30 December 2016, PNM exercised the Conversion Options to convert the Loans totalling US$20,000,000 into 23,600,000 of Series D1 Preferred Shares. Similar to Series B and C, the investment in D1 Preferred Shares have similar features and were separated into the debt component of HK$122,744,000 which were classified as "available-for-sale financial assets" ("AFS") and "derivative financial instruments" ("DFI") of HK$38,171,000 (for the conversion option). The investments in AFS and DFI were subsequently measured at fair value at each reporting period based on an external valuation report. Under HKAS 39, changes in fair value of the DFI are recognised in the consolidated income statement whereas all changes in fair value of AFS are recognised directly in other comprehensive income except for the interest portion of the AFS calculated using the effective interest method which is recognised in the consolidated income statement.

On 11 August 2016, PNM has provided a short-term unsecured loan to Particle of US$14,800,000 (approximately HK$114,802,000) (the "Convertible Loan") at an interest rate of 4.35% per annum with a term of six months and Conversion Options exercisable at any time on or before the maturity date of the loan. The loan represents compound financial instruments, which comprise (i) "loans and receivable" of HK$109,372,000 classified as "amounts due from related companies" and (ii) DFI of HK$5,430,000. The "loans and receivable" were carried at amortised cost and the DFI was subsequently measured at fair value at each reporting period. In August 2017, the term of the Convertible Loan was extended to eighteen months to February 2018. On 22 January 2018, the term of the Convertible Loan was further extended to August 2018.

On 2 November 2016, PNM provided another short-term unsecured loan to Particle of RMB46,000,000 (approximately HK$52,031,000) at an interest rate of 9.00% per annum with a term of six months. In January 2017, the term of the loan was extended to twelve months to November 2017. In November 2017, the unsecured loan was repaid by Particle.

On 20 January 2017, PNM also provided a short-term unsecured loan to Particle of RMB74,000,000 (approximately HK$83,835,000) at an interest rate of 9.00% per annum with a term of twelve months.

Following the adoption of HKFRS 9 — Financial Instruments on 1 January 2018, the investments in Series B, C and D1 Preferred Shares of Particle (classified as AFS and derivative financial instruments in 2017) and Convertible Loan (classified as loans and receivables and derivative financial instruments in 2017) have been reclassified as financial assets at fair value through profit or loss ("FVPL").

On 22 January 2018, the term of the loan was extended for six months and the loan was fully repaid in July 2018.

On 2 April 2018, PNM signed an agreement with an investor of Particle to grant a right to assign the US$14,800,000 convertible loan issued by Particle for US$17,000,000 to that investor of Particle (the "Loan Assignment"). The Loan Assignment was completed on 7 August 2018.

On 23 February 2019, PNM entered into a letter of intent ("LOI") with an independent third party (the "Purchaser") pursuant to which the Purchaser will purchase 32% equity interest of Particle held by PNM on an as-if converted basis. The total consideration is US$448,000,000 (approximately HK$3,494,400,000), based on an estimated transaction valuation.

On 22 March 2019, PNM entered into the Share Purchase Agreement with Run Liang Tai Management Limited ("Run Liang Tai"), pursuant to which PNM conditionally agreed to sell the 32% equity interest in Particle on an as-if converted basis and Run Liang Tai conditionally agreed to purchase the Sale Shares for cash consideration of US$448,000,000 (approximately HK$3,494,400,000).

On 31 May 2019, PNM sent a completion confirmation letter to the Run Liang Tai to confirm the satisfaction of all of the conditions as specified in the Share Purchase Agreement. Run Liang Tai, however, disputed on the satisfaction of certain conditions.

On 23 July 2019, PNM and Run Liang Tai entered into a supplemental agreement (the "Supplemental Agreement"). The key terms of the Supplemental Agreement, amongst other things, are: (i) to adjust the amount of Offshore Sale Shares to an aggregate of 212,358,165 shares of Particle; and (ii) to complete the transaction in two stages on or before 10 August 2020. For details of the Supplemental Agreement, please refer the announcement of the Company dated 25 July 2019.

On 5 August 2019, both Long De Chengzhang Culture Communication (Tianjin) Co., Ltd, and Long De Holdings (Hong Kong) Co., Limited (collectively, "Long De") as existing equity holders of Particle sent a notice to PNM purporting to exercise their Co-sale right. Since then PNM has been in discussion with Long De to settle the Co-sale right of Long De.

The Supplemental Agreement was approved in the extraordinary general meeting ("EGM") on 22 October 2019. PNM transferred the First Batch Shares to Run Liang Tai on 30 October 2019 (the "First Completion Date"), upon receipt of the First Consideration and Second Deposit. Thereafter, the title and legal ownership of the First Batch Shares in the register of members of Particle has been changed to Run Liang Tai. As Run Liang Tai was entitled to the entire rights of shareholders in respect of the First Batch Shares, including the economic rights and voting rights, PNM has derecognised the First Batch Shares on First Completion Date.

On 20 January 2020, PNM entered into the co-sale agreement (the "Co-sale Agreement") with Run Liang Tai and Long De, pursuant to which Long De will sell approximately 9,794,989 Preferred Shares of Particle (the "Long De Sale Shares") to Run Liang Tai for a total consideration of approximately US$21,000,000 in two batches. Consequently, PNM will reduce the number of Second Batch Shares to be disposed to Run Liang Tai from 117,555,413 Preferred Shares as stipulated in the Supplemental Agreement to 107,760,424 Preferred Shares.

As a result, the total consideration received/receivable by PNM from Run Liang Tai will be reduced from US$448,000,000 to approximately US$427,000,000. There is no change to the consideration per share (equivalent to US$2.11 per Preferred Share) under the Co-sale Agreement or the Supplemental Agreement.

In addition, PNM agreed to provide an interest-free loan of approximately US$9,700,000 to Run Liang Tai to enable them to pay for the first batch of Long De Sale Shares (i.e. 4,584,209 Preferred Shares) in accordance with the terms of the Co-sale Agreement. When Long De transfers the 4,584,209 Preferred Shares to Run Liang Tai, Run Liang Tai should pledge the 4,584,209 shares to PNM to secure the repayment of the approximately US$9,700,000 loan.

An EGM is expected to be held in May 2020 to approve the Co-sale Agreement.

The second batch of Long De Sale Shares is expected to complete within 10 business days after the completion of the 107,760,424 Second Batch Shares of Particle to be sold by PNM (the "Second Completion"), which is expected to occur no later than 10 August 2020 according to the Co-Sale Agreement.

The independent professional valuer (the "Valuer") adopted the market approach to calculate the enterprise value of Particle at 31 December 2019. Accordingly, the fair values of the investments in Series C and D1 Preferred Shares have increased to approximately HK$2,259,000,000 at 31 December 2019 and a fair value gain of approximately HK$1,568,000,000 was recognised in the consolidated income statement.

## 15 ACQUISITION OF A SUBSIDIARY

On 1 April 2019, PNM announced that it regained control over Tianbo, a previously held joint venture, and consolidated the financial statements of 北京鳳凰天博網絡技術有限公司(Beijing Fenghuang Tianbo Network Technology Co., Ltd.*) ("Tianbo") as a subsidiary through certain revisions to the articles of association of Tianbo. Accordingly, the investment in Tianbo has been accounted for as "step acquisition" under HKFRS 3 "Business Combination" since 1 April 2019 (the "acquisition date"). Consequently, all the identifiable net assets of Tianbo were measured at fair value and consolidated in the Group's financial statements and a goodwill of approximately HK$12,704,000 was recognised as an intangible asset in the Group's financial statements. Tianbo is principally engaged in exclusive operation of the real estate channel and exclusive sales of real estate advertisements on PNM's website ifeng.com.

** For identification purpose only*

## 16 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

**Deemed disposal of partial interest in PNM**

During the year ended 31 December 2019, as a result of the exercise of share options by the option holders, the Group's equity interest in PNM was decreased from 54.51% to 54.49%. The Group recognised a deemed net loss of approximately HK$355,000 in the equity attributable to owners of the Company and an increase in non-controlling interests of HK$5,552,000 for the year ended 31 December 2019.

During the year ended 31 December 2018, as a result of the exercise of share options by the option holders, the Group's equity interest in PNM was decreased from 54.96% to 54.51%. The Group recognised a deemed net loss of approximately HK$4,966,000 in the equity attributable to owners of the Company and an increase in non-controlling interests of HK$16,043,000 for the year ended 31 December 2018.

## 17 CHANGES IN ACCOUNTING POLICIES

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The lessee's incremental borrowing rates applied to the lease liabilities on 1 January 2019 were from 1.55% to 5.88%.

The effects of the adoption of HKFRS 16 on the consolidated balance sheet at 1 January 2019 are as follows:

| | **2019** |
|---|---|
| | ***HK$'000*** |
| Operating lease commitments disclosed as at 31 December 2018 | 858,103 |
| Other commitment reassessed as lease | 89,229 |
| Discounted using the lessee's incremental borrowing rate at the date of initial application | 781,256 |
| (Less): short-term leases recognised on a straight-line basis as expense | (4,776) |
| (Less): low-value leases recognised on a straight-line basis as expense | (87) |
| Lease liability recognised as at 1 January 2019 | 776,393 |
| Of which are: | |
| Current lease liabilities | 133,933 |
| Non-current lease liabilities | 642,460 |
| | 776,393 |

The associated right-of-use assets for leases in PRC were measured on a retrospective basis as if the new rules had been applied since the lease commencement date. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 1 January 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

| | **31 December 2019** | 1 January 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Properties | **107,024** | 105,037 |
| Land | **191,826** | 198,636 |
| Equipment | **50** | 95 |
| LED screen | **614,848** | 559,592 |
| Radio channel and facility | **64,472** | 77,707 |
| **Total right-of-use assets** | **978,220** | 941,067 |

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

| **As at 1 January 2019** | **As previously stated** | **Effect of adoption of HKFRS 16** | **Restated** |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Right-of-use assets (Non-current) | — | 941,067 | 941,067 |
| Lease premium for land | 198,636 | (198,636) | — |
| Prepayments, deposits and other receivables | 858,652 | (36,482) | 822,170 |
| Lease liability — due within one year | — | 133,933 | 133,933 |
| Lease liability — due after one year | — | 642,460 | 642,460 |
| Retained profits | 5,478,929 | (32,409) | 5,446,520 |
| Non-controlling interests | 2,257,223 | (38,035) | 2,219,188 |

**(i) Practical expedients applied**

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics

- reliance on previous assessments on whether leases are onerous

- the use of recognition exemption to operating leases with a remaining lease term of less than 12 months as at 1 January 2019

- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application

- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

- the use of recognition exemption to leases for which the underlying asset is of low value, and

- not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

**(b) The Group's leasing activities and how these are accounted for**

The Group leases various lands and offices, equipment, LED screens and radio channel. Rental contracts, except for lease premium for land, are typically made for fixed periods of 2 to 10 years but may have extension options as described in (i) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

From 1 January 2019, 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. Each lease payment is allocated between the liability 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. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable

- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at either: (i) its carrying amount as if the Standard had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application; or (ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before the date of initial application.

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. Low-value assets comprise IT-equipment and small items of office equipment.

***(i) Extension and termination options***

Termination option is included in radio channel lease. This term is used to maximise operational flexibility in terms of managing contracts. The termination option held is exercisable only by the Group and not by the respective lessor. The Group can terminate the lease in 5 years by paying liquidated amount stipulated in lease agreement.

## 18 SUBSEQUENT EVENT

After the outbreak of Coronavirus Disease 2019 ("**COVID-19 outbreak**") in early 2020, a series of precautionary and control measures have been and continued to be implemented in countries where the Group operates. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact to the Group.

By Order of the Board
**LIU Changle**
*Chairman*

Hong Kong, 27 March 2020

*As at the date of this announcement, the Board comprises:*

***Executive Directors***
*Mr. LIU Changle (Chairman) (also an alternate director to Mr. CHUI Keung), Mr. CHUI Keung (also an alternate director to Mr. LIU Changle) and Mr. WANG Ji Yan (also an alternate director to Mr. LIU Changle and Mr. CHUI Keung)*

***Non-executive Directors***
*Mr. JIAN Qin, Mr. ZHANG Dong, Mr. HUANG Tao and Mr. SUN Qiang Chang*

***Independent Non-executive Directors***
*Mr. LEUNG Hok Lim, Mr. Thaddeus Thomas BECZAK, Mr. FANG Fenglei and Mr. HE Di*