

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **i-CABLE COMMUNICATIONS LIMITED**

*(Incorporated in Hong Kong with limited liability)*

Stock Code: 1097

### **Interim Results Announcement For the six months ended June 30, 2015**

#### **RESULTS HIGHLIGHTS**

- An abundant supply of free channels, pay channels and streaming content continued to expand the direct and indirect competition which further weakened the demand for our subscription content and thereby the Group's Pay TV operating results.
- Need to continue to enrich our programmes to bring distinctive and premium content to our customers for the best viewing pleasure to attract and retain subscribers.
- Broadband competition was also severe, as rival operators gained market share from us with faster connectivity.
- New product initiatives and investments to strengthen our customer base and boost revenue across segments.
- Free TV licensing process underway.

#### **GROUP RESULTS**

The unaudited Group loss attributable to Shareholders for the six months ended June 30, 2015 was HK\$121 million (2014: HK\$23 million). Basic and diluted loss per share were both HK\$0.06 (2014: HK\$0.012).

#### **INTERIM DIVIDEND**

The Board has resolved not to declare any interim dividend for the six months ended June 30, 2015 (2014: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### A. Review of 2015 Interim Results

Consolidated turnover decreased by HK\$83 million or 10% to HK\$760 million.

Operating costs before depreciation increased by HK\$27 million to HK\$774 million. Programming costs increased by 9% and selling, customer services, general & administrative expenses 2%, while cost of sales decreased by 12% and network costs 8%.

EBITDA loss was HK\$15 million (2014: EBITDA gain HK\$95 million). Net loss was HK\$121 million (2014: HK\$23 million). Basic and diluted loss per share was HK\$0.06 (2014: HK\$0.012).

### B. Segmental Information

#### *Television*

Turnover decreased by 12% to HK\$570 million on lower subscription and advertising income. Operating costs before depreciation increased by 3% to HK\$597 million, primarily due to higher programming cost. EBITDA loss was HK\$27 million (2014: EBITDA gain HK\$71 million).

#### *Internet & Multimedia*

Turnover decreased by 4% to HK\$174 million. Operating costs before depreciation decreased by 4% to HK\$103 million. EBITDA decreased by 4% to HK\$71 million (2014: HK\$73 million).

### C. Liquidity and Financial Resources

As of June 30, 2015, the Group had bank deposits and cash of HK\$18 million, as compared to HK\$62 million at December 31, 2014.

Consolidated net asset value as at June 30, 2015 was HK\$931 million, or HK\$0.46 per share.

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

Capital expenditure during the period amounted to HK\$79 million (2014: HK\$81 million). Major items included network equipment as well as TV production and broadcast facilities.

The Group's ongoing capital expenditure and new business development will be funded by internal cash flows generated from operations and credit facilities.

## **D. Contingent Liabilities**

At June 30, 2015, there were contingent liabilities in respect of guarantees, indemnities and letters of awareness given by the Company on behalf of subsidiaries relating to overdraft and guarantee facilities of borrowings up to HK\$406 million (2014: HK\$106 million), of which HK\$230 million (2014: Nil) was utilized.

## **E. Human Resources**

The Group had 2,227 employees at the end of June 2015 (2014: 2,300). Total gross salaries and related costs incurred in the period amounted to HK\$354 million (2014: HK\$359 million).

## **F. Operating Environment**

An abundant supply of free channels, pay channels and streaming content continued to expand the direct and indirect competition which further weakened the demand for our subscription content and thereby the Group's Pay TV operating results. Notwithstanding this, we remained as the most watched Pay TV service in Hong Kong. To attract and retain subscribers, we need to continue to enrich our programmes to bring distinctive and premium content to our customers for the best viewing pleasure.

Hong Kong Cable News Express Limited has successfully won the multi-year contract for the advertising sales agency services for Newsline Express and it will continue to be the exclusive sales distributor and content provider of MTR Corporation Limited's "Newsline Express" from 2016 onwards.

Broadband competition was also severe, as rival operators gained market share from us with faster connectivity. To tackle this challenge, new product initiatives and investments are required to strengthen our customer base and boost revenue across segments.

## **G. Outlook**

In April, the Government decided not to renew the free TV licence of Asia Television Limited and its licence will expire on April 1, 2016. Off-air spectrum will be released concurrently and could be assigned to new licensees.

We have been discussing licensing terms and conditions with the Communications Authority. Restructuring of the shareholding and control of Fantastic Television Limited is underway.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**For the six months ended June 30, 2015 – unaudited**

		<b>Six months ended June 30,</b>	
		<b>2015</b>	<b>2014</b>
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Turnover</b>	2,3	<b>759,573</b>	842,527
Programming costs		<b>(458,459)</b>	(420,847)
Network expenses		<b>(102,173)</b>	(111,009)
Selling, general and administrative and other operating expenses		<b>(171,293)</b>	(167,422)
Cost of sales		<b>(42,418)</b>	(48,041)
<b>(Loss)/profit from operations before depreciation</b>		<b>(14,770)</b>	95,208
Depreciation	4	<b>(112,423)</b>	(113,388)
<b>Loss from operations</b>	3	<b>(127,193)</b>	(18,180)
Interest income		<b>3</b>	66
Finance costs, net		<b>(1,291)</b>	-
Non-operating expenses		<b>(727)</b>	(200)
<b>Loss before taxation</b>	4	<b>(129,208)</b>	(18,314)
Income tax	5	<b>7,743</b>	(4,941)
<b>Loss for the period</b>		<b>(121,465)</b>	(23,255)
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>(121,465)</b>	(23,255)
<b>Loss per share</b>	6		
Basic		<b>(6.0) cents</b>	(1.2) cents
Diluted		<b>(6.0) cents</b>	(1.2) cents

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**  
For the six months ended June 30, 2015 – unaudited

	<b>Six months ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Loss for the period</b>	<b>(121,465)</b>	<b>(23,255)</b>
<b>Other comprehensive income for the period (after reclassification adjustment)</b>		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	<b>10</b>	<b>(9)</b>
<b>Total comprehensive income for the period</b>	<b>(121,455)</b>	<b>(23,264)</b>
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>(121,455)</b>	<b>(23,264)</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**At June 30, 2015 – unaudited**

	<i>Note</i>	<b>At June 30, 2015 (unaudited) HK\$'000</b>	At December 31, 2014 (audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		<b>858,104</b>	893,066
Programming library		<b>170,193</b>	167,981
Other intangible assets		<b>3,767</b>	3,767
Interest in associate		-	-
Deferred tax assets	7	<b>306,661</b>	302,949
Other non-current assets		<b>64,827</b>	58,479
		<b>1,403,552</b>	1,426,242
<b>Current assets</b>			
Inventories		<b>16,511</b>	18,152
Accounts receivable from trade debtors	8	<b>71,698</b>	77,494
Deposits, prepayments and other receivables		<b>83,638</b>	83,243
Amounts due from fellow subsidiaries		<b>20</b>	1,158
Bank deposits and cash		<b>18,133</b>	62,382
		<b>190,000</b>	242,429
<b>Current liabilities</b>			
Amounts due to trade creditors	9	<b>24,456</b>	69,834
Accrued expenses and other payables		<b>190,201</b>	214,599
Receipts in advance and customers' deposits		<b>163,722</b>	158,245
Interest bearing borrowings		<b>230,000</b>	100,000
Current taxation		<b>134</b>	179
Amounts due to fellow subsidiaries		<b>23,204</b>	38,122
Amount due to immediate holding company		<b>879</b>	936
		<b>632,596</b>	581,915
<b>Net current liabilities</b>		<b>(442,596)</b>	(339,486)
<b>Total assets less current liabilities</b>		<b>960,956</b>	1,086,756
<b>Non-current liabilities</b>			
Deferred tax liabilities	7	<b>21,192</b>	25,530
Other non-current liabilities		<b>8,687</b>	8,694
		<b>29,879</b>	34,224
<b>NET ASSETS</b>		<b>931,077</b>	1,052,532
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>6,857,599</b>	6,857,599
Reserves		<b>(5,926,522)</b>	(5,805,067)
<b>TOTAL EQUITY</b>		<b>931,077</b>	1,052,532

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the six months ended June 30, 2015 - unaudited**

	Attributable to equity shareholders of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Special capital reserve HK\$'000	Exchange reserve HK\$'000	Capital redemption reserve HK\$'000	Revenue reserve HK\$'000	Total reserves HK\$'000	Total equity HK\$'000
<b>Balance at January 1, 2014</b>	2,011,512	4,838,365	13,981	4,104	7,722	(5,683,662)	(819,490)	1,192,022
Loss for the period	-	-	-	-	-	(23,255)	(23,255)	(23,255)
Other comprehensive income	-	-	-	(9)	-	-	(9)	(9)
Total comprehensive income	-	-	-	(9)	-	(23,255)	(23,264)	(23,264)
Transition to no-par value regime on March 3, 2014	4,846,087	(4,838,365)	-	-	(7,722)	-	(4,846,087)	-
<b>Balance at June 30, 2014</b>	<b>6,857,599</b>	<b>-</b>	<b>13,981</b>	<b>4,095</b>	<b>-</b>	<b>(5,706,917)</b>	<b>(5,688,841)</b>	<b>1,168,758</b>
<b>Balance at January 1, 2015</b>	6,857,599	-	13,984	4,104	-	(5,823,155)	(5,805,067)	1,052,532
Loss for the period	-	-	-	-	-	(121,465)	(121,465)	(121,465)
Other comprehensive income	-	-	-	10	-	-	10	10
Total comprehensive income	-	-	-	10	-	(121,465)	(121,455)	(121,455)
<b>Balance at June 30, 2015</b>	<b>6,857,599</b>	<b>-</b>	<b>13,984</b>	<b>4,114</b>	<b>-</b>	<b>(5,944,620)</b>	<b>(5,926,522)</b>	<b>931,077</b>

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

### 1. Basis of preparation and comparative figures

The unaudited interim financial report is prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard 34 “*Interim financial reporting*” issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”).

HKICPA has issued certain amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are first effective for the current accounting period of the Group and the Company. We believe the adoption of these amendments to HKFRSs will not have a material impact on the Group’s financial position or results of operations.

The interim financial report is prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for accounting policy changes that are expected to be reflected in the 2015 annual financial statements.

### 2. Turnover

Turnover comprises principally subscription, service and related fees for Television and Internet (including Telephony) services. It also includes advertising income net of agency deductions, channel service and distribution fees, programme licensing income, film exhibition and distribution income, network maintenance income and other related income.



### 3. Segment information

Business segments for the six months ended June 30, 2015 and 2014:

	Television		Internet and multimedia		Unallocated		Total	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Revenue from external customers	<b>561,860</b>	638,034	<b>173,387</b>	180,154	<b>24,326</b>	24,339	<b>759,573</b>	842,527
Inter-segment revenue	<b>7,957</b>	9,984	<b>125</b>	124	<b>5,012</b>	6,176	<b>13,094</b>	16,284
Reportable segment revenue	<b>569,817</b>	648,018	<b>173,512</b>	180,278	<b>29,338</b>	30,515	<b>772,667</b>	858,811
Reportable segment results ("EBITDA")	<b>(27,091)</b>	71,010	<b>70,664</b>	73,432	<b>(55,510)</b>	(47,638)	<b>(11,937)</b>	96,804
Reportable segment results ("EBIT")	<b>(95,586)</b>	3,352	<b>27,983</b>	28,860	<b>(56,757)</b>	(48,796)	<b>(124,360)</b>	(16,584)
Inter-segment elimination							<b>(2,833)</b>	(1,596)
Loss from operations							<b>(127,193)</b>	(18,180)
Interest income							<b>3</b>	66
Finance costs, net							<b>(1,291)</b>	-
Non-operating expenses							<b>(727)</b>	(200)
Income tax							<b>7,743</b>	(4,941)
Loss for the period							<b>(121,465)</b>	(23,255)

#### 4. Loss before taxation

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

	Six months ended June 30,	
	2015	2014
	HK\$'000	HK\$'000
Depreciation		
- assets held for use under operating leases	15,651	16,875
- other assets	96,772	96,513
	<u>112,423</u>	<u>113,388</u>
Amortisation of programming library*	62,005	49,857
Staff costs	318,624	324,109
Contributions to defined contribution retirement plans	17,363	17,446
Cost of inventories	4,302	5,812
Interest expenses on borrowings	1,291	-
Auditors' remuneration	1,521	1,602
	<u>112,423</u>	<u>113,388</u>
Non-operating expenses		
Net loss on disposal of property, plant and equipment	727	200

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

#### 5. Income tax

	Six months ended June 30,	
	2015	2014
	HK\$'000	HK\$'000
Current tax – Overseas	307	474
Deferred taxation	(8,050)	4,467
	<u>(7,743)</u>	<u>4,941</u>

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate at 16.5% (2014: 16.5%) to the six months ended 30 June 2015. Taxation for overseas subsidiaries is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries.

## 6. Loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of HK\$121 million (2014: HK\$23 million) and the weighted average number of ordinary shares outstanding during the period of 2,011,512,400 (2014: 2,011,512,400).

There were no potential diluted ordinary shares in existence during the periods ended June 30, 2015 and 2014.

## 7. Deferred tax in the statement of financial position

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

Deferred tax arising from:	Depreciation allowances in excess of related depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
At January 1, 2015	59,149	(336,568)	(277,419)
Credited to consolidated statement of profit or loss (Note 5)	(4,897)	(3,153)	(8,050)
At June 30, 2015	54,252	(339,721)	(285,469)
	<b>At June 30, 2015</b>	<b>At December 31, 2014</b>	
	<b>HK\$'000</b>	<b>HK\$'000</b>	
Net deferred tax assets recognised in the consolidated statement of financial position	<b>(306,661)</b>	(302,949)	
Net deferred tax liabilities recognised in the consolidated statement of financial position	<b>21,192</b>	25,530	
	<b>(285,469)</b>	<b>(277,419)</b>	

## 8. Accounts receivable from trade debtors

An ageing analysis of accounts receivable from trade debtors (net of allowance for doubtful debts) is set out as follows:

	<b>At June 30, 2015 HK\$'000</b>	At December 31, 2014 HK\$'000
0 to 30 days	<b>39,019</b>	20,391
31 to 60 days	<b>5,370</b>	21,009
61 to 90 days	<b>11,145</b>	15,920
Over 90 days	<b>16,164</b>	20,174
	<b><u>71,698</u></b>	<u>77,494</u>

The Group has a defined credit policy. The general credit terms allowed range from 0 to 90 days.

## 9. Amounts due to trade creditors

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

	<b>At June 30, 2015 HK\$'000</b>	At December 31, 2014 HK\$'000
0 to 30 days	<b>10,063</b>	5,497
31 to 60 days	<b>10,765</b>	20,315
61 to 90 days	<b>2,008</b>	13,929
Over 90 days	<b>1,620</b>	30,093
	<b><u>24,456</u></b>	<u>69,834</u>

## 10. Review of results

The unaudited interim financial report for the six months ended June 30, 2015 was reviewed with no disagreement by the Audit Committee of the Company.

## **CORPORATE GOVERNANCE CODE**

During the financial period under review, all the code provisions set out in the Corporate Governance Code in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited were met by the Company, with the exception of one deviation, namely, Code Provision A.2.1 which provides for the roles of chairman and chief executive (or chief executive officer) to be performed by different individuals. The deviation is deemed appropriate as it is considered to be more efficient to have one single person to hold both positions. The Board of Directors believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high calibre individuals, with more than half of them being Independent Non-executive Directors (“INEDs”).

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

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

By Order of the Board

**Kevin C. Y. Hui**

*Company Secretary*

Hong Kong, August 5, 2015

*As at the date of this announcement, the Board of Directors of the Company comprises Mr. Stephen T. H. Ng, Mr. William J. H. Kwan and Mr. Paul Y. C. Tsui, together with four INEDs, namely, Mr. Herman S. M. Hu, Mr. Roger K. H. Luk, Mr. Sherman S. M. Tang and Mr. Patrick Y. W. Wu.*