i-CABLE COMMUNICATIONS LIMITED

(Incorporated in Hong Kong with limited liability)
Stock Code: 1097

Interim Results Announcement
For the six months ended June 30, 2012

CONSOLIDATED RESULTS HIGHLIGHTS

- Turnover decreased by 1% to HK$1,038 million (2011: HK$1,051 million).
- EBITDA decreased to HK$28 million (2011: HK$68 million).
- Net loss of HK$97 million was reported (2011: HK$55 million).

TELEVISION

- Turnover decreased by 2% to HK$855 million (2011: HK$874 million).
- EBITDA decreased to HK$20 million (2011: HK$51 million).

INTERNET & MULTIMEDIA

- Turnover increased by 1% to HK$169 million (2011: HK$167 million).
- EBITDA decreased to HK$58 million (2011: HK$70 million).

GROUP RESULTS

The unaudited Group loss attributable to Shareholders for the six months ended June 30, 2012 amounted to HK$97 million, as compared to HK$55 million for the corresponding period in 2011. Basic and diluted loss per share were both HK$0.048, as compared to both HK$0.027 last year.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended June 30, 2012 (2011: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

A. Review of 2012 Interim Results

Across the main product lines, negative subscriber growth was reported and rising costs eroded flat turnovers to result in larger losses.

Consolidated turnover decreased by 1% to HK$1,038 million.

Operating costs before depreciation increased by 3% to HK$1,010 million. Programming costs increased by 3%; network costs 2% and cost of sales 17%, while selling, customer service, general and administrative expenses decreased by 2%.

EBITDA decreased to HK$28 million (2011: HK$68 million).

Net loss of HK$97 million was reported (2011: HK$55 million). Basic and diluted loss per share was HK$0.048 as compared to loss per share of HK$0.027 in 2011.

B. Segmental Information

Television

TV services customers decreased by 12,000 in the period to 1,094,000. Turnover decreased by 2% to HK$855 million, mainly attributable to a decrease in higher yield subscriptions as well as network related project income. Operating costs before depreciation increased by 2% to HK$836 million, primarily due to the higher cost of major soccer leagues in the new season partly offset by lower cost of sales. EBITDA decreased to HK$20 million (2011: HK$51 million).

Internet & Multimedia

Broadband services customers decreased by 13,000 in the period to 205,000, and Telephony services customers decreased by 14,000 to 135,000. Turnover increased by 1% to HK$169 million. Operating costs before depreciation increased by 13% to HK$111 million, mainly due to higher cost for Telephony business upon the acquisition of i-CABLE Telecom Limited in September 2011. EBITDA decreased to HK$58 million (2011: HK$70 million).

C. Liquidity and Financial Resources

As of June 30, 2012, the Group had bank deposits and net cash of HK$184 million, as compared to HK$338 million at December 31, 2011.

The consolidated net asset value of the Group as at June 30, 2012 was HK$1,466 million, or HK$0.7 per share.

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

Capital expenditure during the period amounted to HK$113 million (2011: HK$88 million). Major items included HD set-top-boxes, call centre telephone system upgrade as well as TV production and broadcast facilities for HD channels and Olympics 2012.

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

D. Contingent Liabilities

At June 30, 2012, 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 banks up to HK$206 million (2011: HK$12 million), of which HK$100 million (2011: HK$2 million) have been utilised by the subsidiaries.

E. Human Resources

Under the Group's established pay-for-performance policy, our dedicated and talented professional teams put in their best to further the Group's business objectives.

The Group had 2,693 employees at the end of June 2012 (2011: 2,725). Total gross amount of salaries and related costs incurred in the corresponding period amounted to HK$359 million (2011: HK$351 million).

F. Competition and Operating Environment

The year of 2012 is positioned as a period of consolidation fortifying hard-earned inroads amidst looming economic uncertainties and a challenging operating environment.

During the first half of the year, competitive pressure remained high across business segments affecting our overall performance. Traditionally, direct competition mainly existed among operators on the same transmission platform or among providers offering similar services. These days cross-platform competition was far more significant when one single programming content could be made available on various platforms. Competition could come from any market or industry not even considered relevant previously. Staying ahead of competition has become more challenging than ever.

Following our strong Pay TV customer growth in recent years, achieving similar growth in the foreseeable future would be very unlikely in a highly saturated and competitive TV market comprising 12 domestic free TV channels, hundreds of channels from three licensed and one unlicensed Pay TV operators, dozens of affordable satellite channels and an abundant supply of free content legally or illegally available on the Internet. Competition in the Broadband and Telephony sectors was tough during the period and is not expected to ease in the rest of the year when fixed line services are also being threatened by the phenomenal growth in mobile services.

Substantial increases in premium and general programming costs, rising costs of sales, costly investments in service and system upgrades, decreases in our Broadband and Telephony customer base and the consolidation of our TV customer growth would continue to affect the Group's performance and slacken the pace of our return to profitability.

G. Outlook

"Think outside the box" has become something of a cliche over the years that many would be quick to laugh at. But it is of much relevance to us when our business does have much to do with boxes of various sizes and dimensions. For the best part of TV's relatively short history, TV sets were box-shaped. So were cable modems, computers and many desktop telephone models. Until fairly recently, our services were limited to the physical location of these box-shaped equipment. Likewise, our mindset was in a great way limited by this operating model. These days manufacturers are producing new gadgets that no longer look like boxes and many are mobile-ready, multifunctional or both. Service providers such as ourselves are also under great pressure to explore ways to offer our services free of the conventional constraints that require our customers to be physically home before their TVs or computers.

With that in mind, we have implemented a series of initiatives to enhance the portability of our prized programming through means outside traditional broadcasting confines. We endeavour to make better use of the Internet and mobile platforms to attract younger customers and those whose daily schedules simply do not permit long viewing time at home. Opportunities to sublicense our contents to other media and platforms and innovative ways to deliver our services are also proactively explored. Boxes or not, "Think Creative" is a major focus in this year's business plan to make the best use of our resources and unleash hidden revenue potential across platforms.

We would continue to invest in premier programming across our flagship platforms, HD capabilities expansion, territory-wide broadband upgrades, customer service improvements and new media initiatives to drive customer and revenue growths.

UNAUDITED CONSOLIDATED INCOME STATEMENT
For the six months ended June 30, 2012

	Note	**2012 HK$'000**	2011 HK$'000
Turnover	(2, 3)	**1,037,929**	1,050,825
Programming costs		**(657,305)**	(636,694)
Network expenses		**(114,324)**	(112,600)
Selling, general and administrative and other operating expenses		**(186,021)**	(189,390)
Cost of sales		**(51,985)**	(44,534)
Profit from operations before depreciation		**28,294**	67,607
Depreciation		**(128,648)**	(116,586)
Loss from operations	(3)	**(100,354)**	(48,979)
Interest income		**646**	353
Finance costs, net		**(1,772)**	1
Non-operating income/(expenses)		**2,691**	(2,469)
Loss before taxation	(4)	**(98,789)**	(51,094)
Income tax	(5)	**1,897**	(3,652)
Loss for the period		**(96,892)**	(54,746)
Attributable to:			
Equity shareholders of the Company		**(96,892)**	(54,750)
Non-controlling interests		**--**	4
Loss for the period		**(96,892)**	(54,746)
Loss per share	(6)		
Basic		**(4.8) cents**	(2.7) cents
Diluted		**(4.8) cents**	(2.7) cents

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended June 30, 2012

	2012 **HK$'000**	2011 HK$'000
Loss for the period	**(96,892)**	(54,746)
Other comprehensive income for the period (after reclassification adjustment):		
Exchange difference on translation of foreign subsidiaries' financial statements	**109**	1,119
Total comprehensive income for the period	**(96,783)**	(53,627)
Attributable to:		
Equity shareholders of the Company	**(96,783)**	(53,750)
Non-controlling interests	**--**	123
Total comprehensive income for the period	**(96,783)**	(53,627)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At June 30, 2012

	Note	**At June 30, 2012 (unaudited) HK$'000**	At December 31, 2011 (audited) HK$'000
Non-current assets			
Property, plant and equipment		**1,057,046**	1,074,806
Programming library		**117,222**	106,816
Other intangible assets		**4,006**	4,006
Interest in associate		**--**	--
Deferred tax assets	(7)	**334,166**	336,041
Other non-current assets		**63,748**	58,826
		1,576,188	1,580,495
Current assets			
Inventories		**5,874**	5,886
Accounts receivable from trade debtors	(8)	**82,855**	87,145
Deposits, prepayments and other receivables		**210,953**	161,752
Amounts due from fellow subsidiaries		**527**	901
Cash and cash equivalents		**283,529**	338,359
		583,738	594,043
Current liabilities			
Amounts due to trade creditors	(9)	**99,781**	93,397
Accrued expenses and other payables		**188,761**	197,861
Receipts in advance and customers' deposits		**191,960**	205,638
Current taxation		**396**	22
Amounts due to fellow subsidiaries		**54,594**	49,976
Amount due to immediate holding company		**885**	1,816
		536,377	548,710
Net current assets		**47,361**	45,333
Total assets less current liabilities		**1,623,549**	1,625,828
Non-current liabilities			
Deferred tax liabilities	(7)	**48,905**	53,708
Other non-current liabilities		**8,614**	9,307
Bank loans		**100,000**	--
		157,519	63,015
NET ASSETS		**1,466,030**	1,562,813
Capital and reserves			
Share capital		**2,011,512**	2,011,512
Reserves		**(545,482)**	(448,699)
Total equity attributable to equity shareholders of the Company		**1,466,030**	1,562,813
Non-controlling interests		**--**	--
TOTAL EQUITY		**1,466,030**	1,562,813

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended June 30, 2012

	Attributable to equity shareholders of the Company											
	Share capital	**Share premium**	**Special capital reserve**	**Exchange reserve**	**Capital redemption reserve**	**Fair value reserve**	**Revenue reserve**	**Other reserve**	**Total reserves**	**Total**	**Non-controlling interests**	**Total equity**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at January 1, 2011*	2,011,512	4,838,365	13,944	4,655	7,722	--	(5,132,548)	--	(267,862)	1,743,650	3,239	1,746,889
Loss for the period	--	--	--	--	--	--	(54,750)	--	(54,750)	(54,750)	4	(54,746)
Other comprehensive income for the period	--	--	--	1,000	--	--	--	--	1,000	1,000	119	1,119
Total comprehensive income for the period	--	--	--	1,000	--	--	(54,750)	--	(53,750)	(53,750)	123	(53,627)
Transfer to special capital reserve	--	--	7	--	--	--	(7)	--	--	--	--	--
Balance at June 30, 2011*	2,011,512	4,838,365	13,951	5,655	7,722	--	(5,187,305)	--	(321,612)	1,689,900	3,362	1,693,262

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended June 30, 2012

	Attributable to equity shareholders of the Company											
	Share capital	**Share premium**	**Special capital reserve**	**Exchange reserve**	**Capital redemption reserve**	**Fair value reserve**	**Revenue reserve**	**Other reserve**	**Total reserves**	**Total**	**Non-controlling interests**	**Total equity**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at January 1, 2012*	2,011,512	4,838,365	13,963	3,650	7,722	--	(5,312,399)	--	(448,699)	1,562,813	-	1,562,813
Loss for the period	--	--	--	--	--	--	(96,892)	--	(96,892)	(96,892)	--	(96,892)
Other comprehensive income for the period	--	--	--	109	--	--	--	--	109	109	--	109
Total comprehensive income for the period	--	--	--	109	--	--	(96,892)	--	(96,783)	(96,783)	--	(96,783)
Transfer to special capital reserve	--	--	--	--	--	--	--	--	--	--	--	--
Balance at June 30, 2012*	2,011,512	4,838,365	13,963	3,759	7,722	--	(5,409,291)	--	(545,482)	1,466,030	--	1,466,030

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

NOTES TO THE INTERIM FINANCIAL REPORT

(1) Basis of preparation and comparative figures

The unaudited interim financial report is prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKICPA has issued a few 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 2011 annual financial statements, except for accounting policy changes that are expected to be reflected in the 2012 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

Substantially all the activities of the Group are based in Hong Kong and below is an analysis of the Group's revenue and result by principal activity for the six months ended June 30:

	Television		Internet and multimedia		Unallocated		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**848,788**	867,999	**169,020**	166,893	**20,121**	15,933	**1,037,929**	1,050,825
Inter-segment revenue	**6,697**	5,713	**283**	535	**2,795**	2,725	**9,775**	8,973
Reportable segment revenue	**855,485**	873,712	**169,303**	167,428	**22,916**	18,658	**1,047,704**	1,059,798
Reportable segment results ("EBITDA")	**19,794**	51,427	**58,493**	69,713	**(49,583)**	(53,211)	**28,704**	67,929
Reportable segment results ("EBIT")	**(59,332)**	(22,235)	**12,390**	30,370	**(53,002)**	(56,792)	**(99,944)**	(48,657)
Inter-segment elimination							**(410)**	(322)
Loss from operations							**(100,354)**	(48,979)
Interest income							**646**	353
Finance costs, net							**(1,772)**	1
Non-operating income/(expenses)							**2,691**	(2,469)
Income tax							**1,897**	(3,652)
Loss for the period							**(96,892)**	(54,746)

(4) Loss before taxation

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

	Six months ended June 30, **2012** **HK$'000**	2011 HK$'000
Depreciation		
- assets held for use under operating leases	**14,502**	11,897
- other assets	**114,146**	104,689
	128,648	116,586
Amortisation of programming library*	**42,753**	38,528
Staff costs	**342,873**	332,096
Contributions to defined contribution retirement plans	**17,028**	16,399
Cost of inventories	**10,533**	5,404
Interest expense on bank loans	**1,763**	--
Auditors' remuneration	**1,602**	1,415
Non-operating (income)/expenses		
Net (gain)/loss on disposal of property, plant and equipment	**(2,691)**	2,469

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

(5) Income tax

The provision for Hong Kong Profits Tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profits for the period. Taxation for the overseas subsidiaries is charged at the prevailing rate of taxation ruling in the relevant countries. The income tax charge for the six months ended June 30 represents:

	2012 **HK$'000**	2011 HK$'000
Current tax provision – overseas	**(1,031)**	(165)
Net deferred tax	**2,928**	(3,487)
	1,897	(3,652)

(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$97 million (2011: HK$55 million) and the weighted average number of ordinary shares outstanding during the period of 2,011,512,400 (2011: 2,011,512,400).

There were no potential diluted ordinary shares in existence during the periods ended June 30, 2012 and 2011.

(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	Tax losses	Total
	HK$'000	HK$'000	HK$'000
At January 1, 2012	81,109	(363,442)	(282,333)
(Credited)/charged to consolidated income statement (Note 5)	(10,161)	7,233	(2,928)
At June 30, 2012	70,948	(356,209)	(285,261)

	At June 30, 2012	At December 31, 2011
	HK$'000	HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**(334,166)**	(336,041)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**48,905**	53,708
	(285,261)	(282,333)

(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:

	At June 30, 2012 HK$'000	At December 31, 2011 HK$'000
0 to 30 days	**43,179**	24,106
31 to 60 days	**3,849**	22,337
61 to 90 days	**15,902**	18,861
Over 90 days	**19,925**	21,841
	82,855	87,145

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:

	At June 30, 2012 HK$'000	At December 31, 2011 HK$'000
0 to 30 days	**44,097**	14,999
31 to 60 days	**31,745**	24,271
61 to 90 days	**12,646**	21,504
Over 90 days	**11,293**	32,623
	99,781	93,397

(10) Review of results

The unaudited interim financial report for the six months ended June 30, 2012 was reviewed with no disagreement by the Audit Committee of the Company.

CORPORATE GOVERNANCE PRACTICES

During the first three-month period, from January 1 to March 31, 2012, in the financial period under review, all the applicable code provisions in the Code on Corporate Governance Practices (which were effective during that three-month period), as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") then in force, were met by the Company, except in respect of one code provision (viz. Code Provision A.2.1) providing for the roles of the chairman and chief executive officer (or chief executive) to be performed by different individuals (the "First Deviation"). The deviation is deemed necessary as, given the nature and size of the Company's business, it is at this stage considered to be more efficient to have one single person to 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 ("INED(s)").

During the remaining three-month period, from April 1 to June 30, 2012, in the financial period under review, all the code provisions in the Corporate Governance Code (which is set out in the current version of Appendix 14 of the Listing Rules) were met by the Company, with the exception of two deviations, namely, (i) the First Deviation (with details etc. as mentioned above); and (ii) code provision A.6.7 (the "Second Deviation") providing for INEDs and other Non-executive Directors of the Company to, *inter alia*, attend general meetings. Regarding the Second Deviation, an INED was absent from the last Annual General Meeting of the Company held in May 2012 due to his other important engagement at the relevant time.

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
Wilson W. S. Chan
Company Secretary

Hong Kong, August 7, 2012

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 Independent Non-executive Directors, namely, Mr. T. K. Ho, Mr. Herman S. M. Hu, Mr. Roger K. H. Luk and Mr. Patrick Y. W. Wu.