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i-CABLE COMMUNICATIONS LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 1097

2013 Final Results Announcement

RESULTS HIGHLIGHTS

- Reduced focus on market share enabled financial recovery to begin.
- A small net profit was reported for the second half of 2013.
- TV customer and revenue erosion was milder than expected and more than compensated by substantial opex reduction.
- Broadband revenue and EBITDA have been expanding again since early 2013.
- Cash flow improved on improving operating margin and capex.
- Fantastic TV is ready to broadcast within weeks of licence award. However, six months will soon have passed since the Government's in-principle approval and the probability of licence award within another six months is quickly diminishing.

GROUP RESULTS

The loss attributable to Shareholders for the year ended December 31, 2013 amounted to HK\$93 million, as compared to HK\$278 million in 2012. Basic and diluted loss per share were both HK\$0.05 (2012: HK\$0.14).

DIVIDEND

The Board has resolved not to declare any dividend for the year ended December 31, 2013 (2012: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

A. Review of 2013 Results

Consolidated turnover decreased by 9% to HK\$1,932 million.

Operating costs before depreciation decreased by 17% to HK\$1,782 million. Programming costs decreased by 24%, cost of sales by 6%, selling, customer service, general and administrative expenses by 5% and network costs by 1%.

EBITDA was HK\$149 million (2012: EBITDA loss HK\$22 million).

Net loss was HK\$93 million (2012: HK\$278 million). Basic and diluted loss per share was HK\$0.05 (2012: HK\$0.14).

B. Segmental Information

Television

TV services customers decreased by 29,000 to 1,060,000. Turnover decreased by 12% to HK\$1,546 million, mainly attributable to lower subscription revenue and lower advertising income. Operating costs before depreciation decreased by 20% to HK\$1,421 million, primarily due to lower programming cost, as well as lower selling, customer service, general and administrative expenses and network costs. EBITDA was HK\$125 million (2012: EBITDA loss HK\$30 million).

Internet & Multimedia

Broadband services customers decreased by 5,000 to 196,000, and Telephony services customers decreased by 11,000 to 115,000. Turnover increased by HK\$10 million to HK\$348 million. Operating costs before depreciation slightly increased by 1% to HK\$223 million. EBITDA increased by 6% to HK\$125 million (2012: HK\$118 million).

C. Liquidity and Financial Resources

As of December 31, 2013, the Group had bank deposits and cash, net of bank borrowings, of HK\$182 million (2012: HK\$188 million).

Consolidated net asset value as at December 31, 2013 was HK\$1,192 million, or HK\$0.59 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\$149 million (2012: HK\$209 million). Major items included HD set-top-boxes, cable modems as well as TV production and broadcast facilities for HD channels.

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

D. Contingent Liabilities

At December 31, 2013, 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 loan up to HK\$6 million (2012: HK\$206 million), of which none (2012: HK\$100 million) have been utilised by the subsidiaries.

E. Human Resources

At year-end, the Group had 2,384 employees (2012: 2,605). During the year, gross salaries and related costs of HK\$714 million (2012: HK\$719 million) were incurred.

F. Competition and Operating Environment

Competition continued to be intense among telephony, broadband and Pay TV service operators. Despite attempts by operators to introduce price increases to mainstream fixed line telecommunications services, the market enjoyed relative price stability for the best part of the year.

Our broadband business saw moderate reduction in clientele as a whole, but growth in sales for mid-range services remained strong with both new customers signing on and existing ones upgrading from lower speed services.

At rates well within expectations, contraction of our TV customer base continued during the period under review largely attributable to the residual impact of the expiry of our Barclays Premier League rights.

G. Outlook

Stabilising the erosion in TV revenue and growing broadband revenue more quickly to compensate for that will be the most critical challenge for 2014. On the other hand, general cost escalation will need to be addressed with more creativity in productivity efficiency. We will do our utmost to try to defend the small net profit reported for the second half of 2013.

On the telecommunications front, the number of fixed line residential broadband customers in Hong Kong peaked in 2012, against a growing mobile base. With speed and reliability of mobile data improving, some customers are accepting substitution. That will put additional pressure on service enhancement and customer retention all round.

The Government announced in October 2013 in-principle approval for Group affiliate Fantastic Television Limited to provide free TV service. This would open up fresh horizons for the Group and create synergies with our existing businesses. However, it will

also come with business risks. Countermeasures by incumbent free TV operators, together with the surge in competition for content on the one hand and viewership on the other, will bring about challenges to all TV players, pay or free.

Earnest preparations are being made to ensure that Fantastic TV would be in a position to launch its first channel within the shortest time possible. However, negotiations with the authorities on terms and conditions of Fantastic TV's licence have yet to start and we are still unaware of the Government's timetable. Six months will soon have passed since the October approval and, with legal actions challenging it, the probability of licence award within another six months is rapidly diminishing.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended December 31, 2013

	Note	2013 HK\$'000	2012 HK\$'000
Turnover	(3,4)	1,931,754	2,127,204
Programming costs		(1,087,919)	(1,427,602)
Network expenses		(219,637)	(222,519)
Selling, general and administrative and other operating expenses		(371,657)	(389,423)
Cost of sales		(103,168)	(109,910)
Profit / (Loss) from operations before depreciation		149,373	(22,250)
Depreciation	(5)	(237,211)	(252,479)
Loss from operations		(87,838)	(274,729)
Interest income		476	842
Finance costs, net		(2,695)	(3,605)
Impairment losses on investment		-	(1,083)
Non-operating income		61	5,674
Loss before taxation	(5)	(89,996)	(272,901)
Income tax	(6)	(2,914)	(5,434)
Loss for the year		(92,910)	(278,335)
Attributable to:			
Equity shareholders of the Company		(92,910)	(278,335)
Non-controlling interests		-	-
Loss for the year		(92,910)	(278,335)
Loss per share	(8)		
Basic		(4.6) cents	(13.8) cents
Diluted		(4.6) cents	(13.8) cents

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**
For the year ended December 31, 2013

	Note	2013 HK\$'000	2012 HK\$'000
Loss for the year		<u>(92,910)</u>	<u>(278,335)</u>
Other comprehensive income for the year (after reclassification adjustment)	(7)		
<i>Item that maybe reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of foreign subsidiaries' financial statements		<u>569</u>	<u>(115)</u>
Total comprehensive income for the year		<u>(92,341)</u>	<u>(278,450)</u>
Attributable to:			
Equity shareholders of the Company		<u>(92,341)</u>	<u>(278,450)</u>
Non-controlling interests		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>(92,341)</u>	<u>(278,450)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At December 31, 2013

	Note	2013 HK\$'000	2012 HK\$'000
Non-current assets			
Property, plant and equipment		934,310	1,024,223
Programming library		137,465	108,945
Other intangible assets		3,767	3,767
Interest in associate		-	-
Deferred tax assets		311,373	322,551
Other non-current assets		55,688	58,580
		<u>1,442,603</u>	<u>1,518,066</u>
Current assets			
Inventories		13,884	5,947
Accounts receivable from trade debtors	(9)	80,120	88,936
Deposits, prepayments and other receivables		53,794	62,202
Amounts due from fellow subsidiaries		1,404	1,823
Bank deposits and cash		182,028	288,287
		<u>331,230</u>	<u>447,195</u>
Current liabilities			
Amounts due to trade creditors	(10)	89,535	106,488
Accrued expenses and other payables		217,394	184,266
Receipts in advance and customers' deposits		199,382	208,034
Current taxation		232	696
Amounts due to fellow subsidiaries		30,886	27,043
Amount due to immediate holding company		1,642	1,770
		<u>539,071</u>	<u>528,297</u>
Net current liabilities		<u>(207,841)</u>	<u>(81,102)</u>
Total assets less current liabilities		<u>1,234,762</u>	<u>1,436,964</u>
Non-current liabilities			
Deferred tax liabilities		34,629	44,009
Other non-current liabilities		8,111	8,592
Bank loans		-	100,000
		<u>42,740</u>	<u>152,601</u>
NET ASSETS		<u>1,192,022</u>	<u>1,284,363</u>
Capital and reserves			
Share capital		2,011,512	2,011,512
Reserves		(819,490)	(727,149)
Total equity attributable to equity shareholders of the Company		<u>1,192,022</u>	<u>1,284,363</u>
Non-controlling interests		-	-
TOTAL EQUITY		<u>1,192,022</u>	<u>1,284,363</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2013

	Attributable to equity shareholders of the Company										
	Share capital	Share premium	Special capital reserve	Exchange reserve	Capital redemption reserve	Fair value reserve	Revenue 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
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 year	-	-	-	-	-	-	(278,335)	(278,335)	(278,335)	-	(278,335)
Other comprehensive income for the year	-	-	-	(115)	-	-	-	(115)	(115)	-	(115)
Total comprehensive income for the year	-	-	-	(115)	-	-	(278,335)	(278,450)	(278,450)	-	(278,450)
Transfer to special capital reserve	-	-	4	-	-	-	(4)	-	-	-	-
Balance at December 31, 2012*	<u>2,011,512</u>	<u>4,838,365</u>	<u>13,967</u>	<u>3,535</u>	<u>7,722</u>	<u>-</u>	<u>(5,590,738)</u>	<u>(727,149)</u>	<u>1,284,363</u>	<u>-</u>	<u>1,284,363</u>

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
For the year ended December 31, 2013

	Attributable to equity shareholders of the Company										
	Share capital	Share premium	Special capital reserve	Exchange reserve	Capital redemption reserve	Fair value reserve	Revenue 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
Balance at January 1, 2013*	2,011,512	4,838,365	13,967	3,535	7,722	-	(5,590,738)	(727,149)	1,284,363	-	1,284,363
Loss for the year	-	-	-	-	-	-	(92,910)	(92,910)	(92,910)	-	(92,910)
Other comprehensive income for the year	-	-	-	569	-	-	-	569	569	-	569
Total comprehensive income for the year	-	-	-	569	-	-	(92,910)	(92,341)	(92,341)	-	(92,341)
Transfer to special capital reserve	-	-	14	-	-	-	(14)	-	-	-	-
Balance at December 31, 2013*	<u>2,011,512</u>	<u>4,838,365</u>	<u>13,981</u>	<u>4,104</u>	<u>7,722</u>	<u>-</u>	<u>(5,683,662)</u>	<u>(819,490)</u>	<u>1,192,022</u>	<u>-</u>	<u>1,192,022</u>

* 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 FINANCIAL STATEMENTS

(1) Basis of preparation

The financial statements for the year ended December 31, 2013 have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. They comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Although the Group had net current liabilities HK\$208 million (2012: HK\$81 million) as of December 31, 2013, the Group had cash of HK\$182 million (2012: HK\$288 million). In addition, a revolving loan facility of HK\$100 million given by a fellow subsidiary was available in January 2014 and will mature at the end of December 2014.

In the opinion of the directors, in light of the above, the Group will have sufficient working capital to finance its operations and remain as a going concern in the foreseeable future. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

(2) Impact of new and revised Hong Kong Financial Reporting Standards

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

- Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statement*
- HKFRS 11, *Joint arrangements*
- HKFRS 12, *Disclosure of interest in other entities*
- HKFRS 13, *Fair value measurement*
- *Annual Improvements to HKFRSs 2009-2011 Cycle*
- Amendments to HKFRS 7 – *Disclosures – Offsetting financial assets and financial liabilities*

The above developments have had no material impact on the Group’s financial statements.

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

(3) 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.

(4) Segment information

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

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

The Internet and Multimedia segment includes operations related to Broadband Internet access services, portal operation, mobile content licensing, Voice Over Internet Protocol telephony services as well as other Internet access related businesses.

Management evaluates performance primarily based on earnings before interest, taxation, depreciation, and amortisation (“EBITDA”) and earnings before interest and taxation (“EBIT”). Management defines EBITDA to mean earnings before interest income, finance cost, impairment losses on investment, non-operating income/expenses, provision for income tax, depreciation of property, plant and equipment but after amortisation of programming rights.

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

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

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

(4) Segment information (continued)

Information regarding the Group's reportable segments as provided to the Group's senior management for the purposes of resource allocation and assessment of segment performance for the years ended December 31, 2013 and 2012 is set out below:

	Television		Internet and Multimedia		Unallocated		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	1,525,595	1,742,433	347,856	338,102	58,303	46,669	1,931,754	2,127,204
Inter-segment revenue	20,720	14,537	248	386	9,309	6,441	30,277	21,364
Reportable segment revenue	1,546,315	1,756,970	348,104	338,488	67,612	53,110	1,962,031	2,148,568
Reportable segment results ("EBITDA")	124,975	(29,998)	125,145	117,624	(98,641)	(108,545)	151,479	(20,919)
Reportable segment results ("EBIT")	(14,303)	(184,199)	33,471	25,918	(104,900)	(115,117)	(85,732)	(273,398)
Inter-segment elimination							(2,106)	(1,331)
Loss from operations							(87,838)	(274,729)
Interest income							476	842
Finance costs, net							(2,695)	(3,605)
Impairment losses on investment							-	(1,083)
Non-operating income							61	5,674
Income tax							(2,914)	(5,434)
Loss for the year							(92,910)	(278,335)

(4) Segment information (continued)

	Segment assets	
	2013	2012
	HK\$'000	HK\$'000
Television	836,903	909,453
Internet and Multimedia	379,579	432,322
Unallocated assets	245,978	300,935
	1,462,460	1,642,710
Interest in associate	-	-
Deferred tax assets	311,373	322,551
	1,773,833	1,965,261

	Segment liabilities	
	2013	2012
	HK\$'000	HK\$'000
Television	362,700	440,753
Internet and Multimedia	93,297	111,808
Unallocated liabilities	90,953	83,632
	546,950	636,193
Current taxation	232	696
Deferred tax liabilities	34,629	44,009
	581,811	680,898

Geographical segments

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

(5) Loss before taxation

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

	2013	2012
	HK\$'000	HK\$'000
Depreciation		
- assets held for use under operating leases	33,993	39,919
- other assets	203,218	212,560
	237,211	252,479
Amortisation of programming library*	91,304	93,917
Impairment losses		
- trade and other receivables	6,219	5,136
- property, plant and equipment	1,390	1,595
- programming library	2,733	3,796
- investments in equity securities	-	1,083
Reversal of impairment losses on trade and other receivables	(764)	(1,057)
Salaries, wages and other benefits	650,034	653,550
Contributions to defined contribution retirement plans	34,060	34,041
Cost of inventories	17,311	19,053
Auditors' remuneration – audit service		
- charge for the year	2,942	2,852
- under-provision in respect of prior years	99	186
Net loss on forward exchange contracts	-	9
Net gain on disposal of property, plant and equipment	(61)	(5,674)

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

(6) Income tax

The provision for Hong Kong Profits Tax is calculated at 16.5% (2012: 16.5%) of the estimated assessable profits for the year. Taxation for the overseas subsidiaries is charged at the appropriate rate of taxation ruling in the relevant countries. The income tax charge for the year ended December 31 represents:

	2013	2012
	HK\$'000	HK\$'000
Tax expenses for the year – overseas	1,116	1,643
Net deferred tax expenses	1,798	3,791
Income tax	2,914	5,434

(7) **Other comprehensive income**

Reclassification adjustment relating to components of other comprehensive income

	2013	2012
	HK\$'000	HK\$'000
Exchange reserve:		
Exchange difference on translation of foreign subsidiaries' financial statements	<u>569</u>	<u>(115)</u>
Net movement in the exchange reserve during the year recognised in other comprehensive income	<u>569</u>	<u>(115)</u>

(8) **Loss per share**

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of HK\$93 million (2012: HK\$278 million) and the weighted average number of ordinary shares outstanding during the year of 2,011,512,400 (2012: 2,011,512,400).

The calculation of diluted loss per share is based on the loss attributable to equity shareholders of the Company of HK\$93 million (2012: HK\$278 million) and the weighted average number of ordinary shares of 2,011,512,400 (2012: 2,011,512,400) after adjusting for the effects of all dilutive potential ordinary shares.

(9) **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:

	2013	2012
	HK\$'000	HK\$'000
0 to 30 days	19,722	18,991
31 to 60 days	21,289	27,478
61 to 90 days	16,036	17,458
Over 90 days	<u>23,073</u>	<u>25,009</u>
	<u>80,120</u>	<u>88,936</u>

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

(10) Amounts due to trade creditors

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

	2013	2012
	HK\$'000	HK\$'000
0 to 30 days	9,584	24,006
31 to 60 days	31,069	30,709
61 to 90 days	14,233	16,821
Over 90 days	34,649	34,952
	<u>89,535</u>	<u>106,488</u>

(11) Review of Financial Statements

The financial results for the year ended December 31, 2013 have been reviewed with no disagreement by the Audit Committee of the Company. The figures in respect of the preliminary announcement of the Group's results for the year ended December 31, 2013 have been agreed by the Company's Auditors to the amounts set out in the Group's consolidated financial statements for the year.

CODE ON CORPORATE GOVERNANCE

During the financial year ended December 31, 2013, the Company has complied with all the provisions set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except in respect of one code provision (viz. Code Provision A.2.1) providing for the roles of chairman and chief executive (or chief executive officer) to be performed by different individuals. Such deviation is deemed necessary as, given the nature and size of the Company's business, it is at this stage considered to be more efficient to have one single person to 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.

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 year under review.

BOOK CLOSURE

The Register of Members of the Company will be closed from Tuesday, June 3, 2014 to Wednesday, June 4, 2014, both days inclusive, during which period no transfer of shares of the Company can be registered. In order to ascertain Shareholders' rights for the purpose of attending and voting at the forthcoming Annual General Meeting to be held on June 4, 2014, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrars, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, May 30, 2014.

By Order of the Board

H. O. Hung

Company Secretary

Hong Kong, February 26, 2014

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