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i-CABLE COMMUNICATIONS LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 1097

2016 Final Results Announcement

RESULTS HIGHLIGHTS

- A weak advertising market and harsh competition in the subscription business continued to put pressure on the Group's performance.
- The decline in airtime and subscription revenues eroded EBITDA further, despite lower operating expenses as a result of stringent cost control.
- ARPU continued to improve but fell short of arresting the subscription revenue erosion caused by subscriber base contraction.
- Contraction of broadband subscribers slowed in the second half of 2016. Monthly broadband revenue stabilised.
- The current Pay TV licence expires at the end of May 2017. Government has agreed to grant a new licence for 12 years. Final terms of the new licence are under negotiation.
- Affiliate Fantastic is in final preparation to launch a Cantonese channel in May 2017 under its Free TV licence.
- Recurrent losses have significantly weakened the liquidity position and increased the dependency on external financing, currently short term in tenor. Net cash outflow is budgeted to continue in 2017.
- Caution will be exercised over investment in programming across platforms, HD/OTT upgrades, customer service improvement, GPON for higher speed broadband service, as well as new marketing and media initiatives.

GROUP RESULTS

The Group loss attributable to Shareholders for the year ended December 31, 2016 was HK\$313 million (2015: HK\$233 million). Basic and diluted loss per share were both HK\$0.16 (2015: HK\$0.12).

DIVIDEND

No dividend will be paid for the year ended December 31, 2016 (2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

A. Review of 2016 Results

Consolidated revenue decreased by HK\$103 million or 7% to HK\$1,406 million.

Operating costs before depreciation decreased by HK\$25 million to HK\$1,504 million. Programming costs decreased by 3%, selling, customer services, general & administrative expenses 1%, cost of sales on par, while network costs increased by 4%.

EBITDA loss was HK\$98 million (2015: HK\$19 million). Net loss was HK\$313 million (2015: HK\$233 million). Basic and diluted loss per share was HK\$0.16 (2015: HK\$0.12).

B. Segmental Information

Television

Revenue decreased by 8% to HK\$1,043 million on lower subscription and advertising income. Operating costs before depreciation increased by 1% to HK\$1,185 million. EBITDA loss was HK\$142 million (2015: HK\$46 million).

Internet & Multimedia

Revenue decreased by 4% to HK\$336 million. Operating costs before depreciation decreased by 4% to HK\$197 million. EBITDA decreased by 3% to HK\$138 million (2015: HK\$143 million).

C. Liquidity and Financial Resources

As of December 31, 2016, the Group had net debt of HK\$484 million, as compared to HK\$218 million at December 31, 2015. The ratio of net debt to total equity was 95.8% (2015: 26.6%).

Consolidated net asset value as at December 31, 2016 was HK\$505 million, or HK\$0.25 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\$238 million (2015: HK\$207 million). Major items included network equipment, TV production and broadcast facilities as well as the new FANhub set-top-box.

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 December 31, 2016, 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\$806 million (2015: HK\$606 million), of which HK\$590 million (2015: HK\$300 million) was utilised by the subsidiaries.

E. Human Resources

The Group had 2,137 employees at the end of December 2016 (2015: 2,186). Total gross salaries and related costs incurred in the period amounted to HK\$700 million (2015: HK\$697 million).

F. Operating Environment

In 2016, the Group's financial performance was affected by the decline of advertising and subscription revenues due to the weak advertising market as well as the challenges of subscription businesses.

During the year, Hong Kong's TV industry was in transition, led by free-to-air channels. Viu TV launched its Cantonese channel in April. ATV had gone off the air, ending its 59-year run as the world's oldest Chinese-language broadcaster. Finally, in May 2016, a licence was granted to our affiliate Fantastic Television Limited with a validity period of 12 years until May 30, 2028, subject to a mid-term review around 2022.

The pay TV industry is also changing fast, as LeEco and Netflix launched their OTT services with mixed review and TVB Network Vision applied to surrender its pay TV licence, moving its entire operations over to OTT. The Group also launched its FANhub HD/OTT service, which was meeting our expectations.

G. Outlook

Recurrent losses have weakened the Group's financial position and increased its dependency on external financing, currently short term in tenor. Initiatives to contain costs have been more effective than those to improve revenues. New initiatives will be introduced in 2017 but they may or may not produce the results that we need.

Against that backdrop, the Group will exercise additional prudence in continuing to invest in programming across platforms, HD/OTT upgrades, customer service improvement, GPON for higher speed broadband service, as well as new marketing and media initiatives to sharpen our competitiveness.

The Fantastic TV team is preparing for the launch of its integrated Cantonese channel in May 2017. This will supplement our existing services and enhance our overall competitiveness.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended December 31, 2016

	Note	2016 HK\$'000	2015 HK\$'000
Revenue	3,4	1,406,368	1,509,678
Programming costs		(869,949)	(900,761)
Network expenses		(209,392)	(200,970)
Selling, general and administrative and other operating expenses		(339,869)	(342,452)
Cost of sales		(84,697)	(84,760)
Loss from operations before depreciation		(97,539)	(19,265)
Depreciation	5	(214,324)	(223,007)
Loss from operations		(311,863)	(242,272)
Interest income		40	5
Finance costs, net		(5,489)	(2,998)
Non-operating expenses		(556)	(1,373)
Loss before taxation	5	(317,868)	(246,638)
Income tax	6	5,078	13,540
Loss for the year		(312,790)	(233,098)
Attributable to:			
Equity shareholders of the Company		(312,790)	(233,098)
Loss per share	7		
Basic		(15.5) cents	(11.6) cents
Diluted		(15.5) cents	(11.6) cents

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**
For the year ended December 31, 2016

	2016 HK\$'000	2015 HK\$'000
Loss for the year	<u>(312,790)</u>	<u>(233,098)</u>
Other comprehensive income for the year (after reclassification adjustment)		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	<u>(785)</u>	<u>(461)</u>
Total comprehensive income for the year	<u>(313,575)</u>	<u>(233,559)</u>
Attributable to:		
Equity shareholders of the Company	<u>(313,575)</u>	<u>(233,559)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At December 31, 2016

	Note	2016 HK\$'000	2015 HK\$'000
Non-current assets			
Property, plant and equipment		894,039	873,803
Programming library		169,307	156,531
Intangible assets		2,062	3,767
Interest in associate		-	-
Deferred tax assets		306,467	308,884
Other non-current assets		43,254	62,588
		<u>1,415,129</u>	<u>1,405,573</u>
Current assets			
Inventories		18,076	14,891
Accounts receivable from trade debtors	8	51,385	68,096
Deposits, prepayments and other receivables		34,926	28,060
Amounts due from fellow subsidiaries		204	79
Bank deposits and cash		105,814	82,427
		<u>210,405</u>	<u>193,553</u>
Current liabilities			
Amounts due to trade creditors	9	59,135	33,138
Accrued expenses and other payables		239,758	214,532
Receipts in advance and customers' deposits		183,821	170,392
Interest bearing borrowings		590,000	300,000
Current taxation		113	150
Amounts due to fellow subsidiaries		26,129	34,308
Amount due to immediate holding company		3,229	1,614
		<u>1,102,185</u>	<u>754,134</u>
Net current liabilities		<u>(891,780)</u>	<u>(560,581)</u>
Total assets less current liabilities		<u>523,349</u>	<u>844,992</u>
Non-current liabilities			
Deferred tax liabilities		9,210	17,247
Other non-current liabilities		8,741	8,772
		<u>17,951</u>	<u>26,019</u>
NET ASSETS		<u>505,398</u>	<u>818,973</u>
CAPITAL AND RESERVES			
Share capital		6,857,599	6,857,599
Reserves		(6,352,201)	(6,038,626)
TOTAL EQUITY		<u>505,398</u>	<u>818,973</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2016

	Attributable to equity shareholders of the Company					
	Share capital	Special capital reserve	Exchange reserve	Revenue reserve	Total reserves	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at January 1, 2015	6,857,599	13,984	4,104	(5,823,155)	(5,805,067)	1,052,532
Changes in equity for 2015:						
Loss for the year	-	-	-	(233,098)	(233,098)	(233,098)
Other comprehensive income	-	-	(461)	-	(461)	(461)
Total comprehensive income	-	-	(461)	(233,098)	(233,559)	(233,559)
Transfer to special capital reserve	-	1	-	(1)	-	-
Balance at December 31, 2015 and January 1, 2016	6,857,599	13,985	3,643	(6,056,254)	(6,038,626)	818,973
Changes in equity for 2016:						
Loss for the year	-	-	-	(312,790)	(312,790)	(312,790)
Other comprehensive income	-	-	(785)	-	(785)	(785)
Total comprehensive income	-	-	(785)	(312,790)	(313,575)	(313,575)
Transfer to special capital reserve	-	-	-	-	-	-
Balance at December 31, 2016	6,857,599	13,985	2,858	(6,369,044)	(6,352,201)	505,398

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

The financial information relating to the years ended December 31, 2016 and 2015 included in this final results announcement does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended December 31, 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended December 31, 2016 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

These financial statements 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 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. These financial statements also 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 of HK\$892 million (2015: HK\$561 million) as of December 31, 2016, the Group had cash of HK\$106 million (2015: HK\$82 million). In addition, the Group had signed a banking facility of HK\$400 million and a revolving loan facility of HK\$400 million given by a fellow subsidiary, of which total HK\$590 million had been utilised, at the end of the reporting period.

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

The HKICPA has issued certain new and revised HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a significant impact on the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has early adopted the complete version of HKFRS 9, *Financial Instruments*, in the consolidated financial statements for the year ended December 31, 2016 and concluded that the adoption of HKFRS 9 is unlikely to have a significant impact on the Group's financial statements. Except for the foregoing, the Group has not adopted any new standard or interpretation that is not yet effective for the current accounting period.

3. Revenue

Revenue 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 on arm's length basis.

4. Segment information (continued)

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, 2016 and 2015 is set out below:

	Television		Internet and Multimedia		Unallocated		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	1,028,390	1,114,646	335,449	347,889	42,529	47,143	1,406,368	1,509,678
Inter-segment revenue	14,440	15,323	204	247	9,486	9,462	24,130	25,032
Reportable segment revenue	1,042,830	1,129,969	335,653	348,136	52,015	56,605	1,430,498	1,534,710
Reportable segment results ("EBITDA")	(142,321)	(45,775)	138,457	143,228	(87,117)	(111,129)	(90,981)	(13,676)
Reportable segment results ("EBIT")	(277,215)	(183,114)	61,506	60,048	(89,596)	(113,617)	(305,305)	(236,683)
Inter-segment elimination							(6,558)	(5,589)
Loss from operations							(311,863)	(242,272)
Interest income							40	5
Finance costs, net							(5,489)	(2,998)
Non-operating expenses							(556)	(1,373)
Income tax							5,078	13,540
Loss for the year							(312,790)	(233,098)

4. Segment information (continued)

	Segment assets	
	2016	2015
	HK\$'000	HK\$'000
Television	847,929	817,610
Internet and Multimedia	351,290	333,743
Unallocated assets	119,848	138,889
	1,319,067	1,290,242
Interest in associate	-	-
Deferred tax assets	306,467	308,884
	1,625,534	1,599,126
	Segment liabilities	
	2016	2015
	HK\$'000	HK\$'000
Television	766,132	519,589
Internet and Multimedia	241,915	153,056
Unallocated liabilities	102,766	90,111
	1,110,813	762,756
Current taxation	113	150
Deferred tax liabilities	9,210	17,247
	1,120,136	780,153

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):

	2016 HK\$'000	2015 HK\$'000
Depreciation		
- assets held for use under operating leases	27,247	31,900
- other assets	<u>187,077</u>	<u>191,107</u>
	214,324	223,007
Amortisation of programming library*	109,579	123,540
Impairment losses		
- trade and other receivables	2,800	2,906
- property, plant and equipment	892	867
- programming library	209	4,117
Reversal of impairment losses on trade and other receivables	(248)	(403)
Salaries, wages and other benefits	627,746	626,831
Contributions to defined contribution retirement plans	35,181	34,249
Cost of inventories	7,440	8,161
Auditors' remuneration – audit service		
- charge for the year	3,141	3,044
- under-provision in respect of prior years	80	64
Interest on borrowings	5,489	2,998
Net loss on disposal of property, plant and equipment	<u>556</u>	<u>1,373</u>

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

6. Income tax in the consolidated statement of profit or loss

	2016 HK\$'000	2015 HK\$'000
Current tax – Overseas	542	678
Deferred taxation income	<u>(5,620)</u>	<u>(14,218)</u>
	<u>(5,078)</u>	<u>(13,540)</u>

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate at 16.5% (2015: 16.5%) for the year ended December 31, 2016. 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.

7. Loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of HK\$313 million (2015: HK\$233 million) and the weighted average number of ordinary shares outstanding during the year of 2,011,512,400 (2015: 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\$313 million (2015: HK\$233 million) and the weighted average number of ordinary shares of 2,011,512,400 (2015: 2,011,512,400) after adjusting for the effects of all dilutive potential ordinary shares.

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:

	2016	2015
	HK\$'000	HK\$'000
0 to 30 days	16,530	18,178
31 to 60 days	15,421	19,661
61 to 90 days	8,524	12,701
Over 90 days	10,910	17,556
	<u>51,385</u>	<u>68,096</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:

	2016	2015
	HK\$'000	HK\$'000
0 to 30 days	17,012	3,476
31 to 60 days	21,945	13,874
61 to 90 days	12,271	10,773
Over 90 days	7,907	5,015
	<u>59,135</u>	<u>33,138</u>

10. Review of Financial Statements

The financial results for the year ended December 31, 2016 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, 2016 have been agreed by the Company's Auditors to the amounts set out in the Group's consolidated financial statements for the year.

CORPORATE GOVERNANCE CODE

During the financial year ended December 31, 2016, 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 relevant arrangement is deemed appropriate as it is considered to be more efficient to have one single person to be the Chairman of the Company as well as to discharge the executive functions of a chief executive. 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 year under review.

BOOK CLOSURE

The Register of Members of the Company will be closed from Friday, April 21, 2017 to Wednesday, April 26, 2017, 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 April 26, 2017, all transfers, accompanied by the relevant share certificates, must be lodged with the Company’s Registrars, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not later than 4:30 p.m. on Thursday, April 20, 2017.

By Order of the Board
Kevin C. Y. Hui
Company Secretary

Hong Kong, February 23, 2017

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.