

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 half-year period ended June 30, 2017

RESULTS HIGHLIGHTS

- The Group's financial performance in the first half of 2017 was seriously affected by the decline of advertising and subscription revenues, partly due to the prolonged uncertainties about the Group's future since early March.
- The advertising market remained quite weak generally and was exacerbated by competition from free TV, digital and OTT platforms. On the subscription business front, contraction of customer base remained but ARPU continued to improve.
- Fantastic TV launched its Cantonese channel in May and is adopting an incremental initial approach to the market.
- In April, the Group proposed an Open Offer, underwritten by Forever Top (Asia) Limited, and a Loan Capitalisation to raise about HK\$1 billion of new equity. All major regulatory hurdles have been cleared.
- New equity is expected to be injected by September 2017 to address uncertainties about the Group's funding. Upon the close of the Open Offer and the completion of the Loan Capitalisation, Forever Top (Asia) Limited will become the Controlling Shareholder.
- In May 2017, the Group accepted renewal of its Pay TV Licence for a period of 12 years until 31 May 2029. Its Unified Carrier Licence is valid until 17 January 2030 and Fantastic TV's Free TV Licence until 30 May 2028.

GROUP RESULTS (unaudited)

The unaudited Group loss attributable to Shareholders for the six months ended June 30, 2017 was HK\$141 million (2016: HK\$135 million). Basic and diluted loss per share were both HK\$0.07 (2016: HK\$0.07).

INTERIM DIVIDEND

No dividend will be paid for the six months ended June 30, 2017 (2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

A. Review of 2017 Interim Results

Consolidated revenue decreased by HK\$69 million or 10% to HK\$641 million.

Operating costs before depreciation increased by 3% to HK\$759 million. Network related cost increased by 17% (mainly due to a provision for Government rent recently assessed on in-building wiring network for the period since 1997, to which the Group has objected), programming increased by 3%, while cost of sales decreased by 10% and selling, customer services, general & administrative expenses were unchanged.

EBITDA loss was HK\$118 million (2016: HK\$24 million). Net loss was HK\$141 million (2016: HK\$135 million), after recognition of HK\$82 million of profit on sale of surplus properties. Basic and diluted loss per share was HK\$0.07 (2016: HK\$0.07).

B. Segmental Information

Television

Revenue decreased by 11% to HK\$471 million on lower subscription and advertising income. Operating costs before depreciation increased by 3% to HK\$590 million. EBITDA loss was HK\$119 million (2016: HK\$44 million).

Internet & Multimedia

Revenue decreased by 4% to HK\$162 million. Operating costs before depreciation increased by 12% to HK\$109 million. EBITDA decreased by 25% to HK\$54 million (2016: HK\$71 million).

C. Liquidity and Financial Resources

As of June 30, 2017 the Group had net debt of HK\$662 million, as compared to HK\$393 million at June 30, 2016.

Consolidated net asset value was HK\$364 million, or HK\$0.18 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\$109 million (2016: HK\$110 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, new equity injection and credit facilities.

D. Contingent Liabilities

At June 30, 2017, 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 (2016: HK\$806 million), of which HK\$705 million (2016: HK\$415 million) was utilised by the subsidiaries.

E. Human Resources

The Group had 1,940 employees at the end of June 2017 (2016: 2,176). Total gross salaries and related costs incurred in the period amounted to HK\$345 million (2016: HK\$352 million).

F. Operating Environment

The Group's financial performance in the first half of 2017 was seriously affected by the decline of advertising and subscription revenues, partly due to the prolonged uncertainties about the Group's future since early March. In addition, the advertising market remained quite weak generally and was exacerbated by competition from free TV, digital and OTT platforms. On the subscription business front, contraction of customer base remained but ARPU continued to improve.

Fantastic TV launched its Cantonese channel in May and is adopting an incremental initial approach to the market. By pooling creative, production as well as network expertise, we would more effectively build scale in programming and in airtime sales, as well as gain more buying and selling power, more operational efficiency and access to a bigger pool of talents and new ideas.

G. Outlook

In April 2017, the Group proposed an Open Offer, underwritten by Forever Top (Asia) Limited to raise about HK\$704 million (before expenses), and a Loan Capitalisation in the amount of HK\$300 million. New equity is expected to be injected by September 2017 to address uncertainties about the Group's funding. Upon the close of the Open Offer and the completion of the Loan Capitalisation, Forever Top (Asia) Limited will become the Controlling Shareholder.

In May 2017, the Group accepted renewal of its Pay TV Licence for a period of 12 years until 31 May 2029. Its Unified Carrier Licence is valid until 17 January 2030 and Fantastic TV's Free TV Licence until 30 May 2028.

Initiatives to contain costs have been more effective than those to improve revenues. More initiatives will be introduced in the rest of 2017. They may or may not produce the results that we need but we will keep the momentum to transform the Group into a more robust business.

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended June 30, 2017 – unaudited

		Six months ended June 30,	
		2017	2016
	Note	HK\$'000	HK\$'000
Revenue	2,3	641,112	709,876
Programming costs		(437,213)	(424,423)
Network expenses		(122,293)	(104,288)
Selling, general and administrative and other operating expenses		(161,492)	(162,926)
Cost of sales		(37,763)	(42,086)
Loss from operations before depreciation		(117,649)	(23,847)
Depreciation	4	(104,191)	(109,082)
Loss from operations	3	(221,840)	(132,929)
Interest income		62	2
Finance costs, net		(4,686)	(2,128)
Non-operating income/(expenses)		82,890	(427)
Loss before taxation	4	(143,574)	(135,482)
Income tax	5	2,437	700
Loss for the period		(141,137)	(134,782)
Attributable to:			
Equity shareholders of the Company		(141,137)	(134,782)
Loss per share	6		
Basic		(7.0) cents	(6.7) cents
Diluted		(7.0) cents	(6.7) cents

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**
For the six months ended June 30, 2017 – unaudited

	Six months ended June 30,	
	2017	2016
	HK\$'000	HK\$'000
Loss for the period	(141,137)	(134,782)
Other comprehensive income for the period (after reclassification adjustment):		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	81	(320)
	<hr/>	<hr/>
Total comprehensive income for the period	(141,056)	(135,102)
	<hr/> <hr/>	<hr/> <hr/>
Attributable to:		
Equity shareholders of the Company	(141,056)	(135,102)
	<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At June 30, 2017 – unaudited

	Note	At June 30, 2017 (unaudited) HK\$'000	At December 31, 2016 (audited) HK\$'000
Non-current assets			
Property, plant and equipment		889,624	894,039
Programming library		166,205	169,307
Intangible assets		1,218	2,062
Interest in associate		-	-
Deferred tax assets	7	305,218	306,467
Other non-current assets		54,247	43,254
		1,416,512	1,415,129
Current assets			
Inventories		15,078	18,076
Accounts receivable from trade debtors	8	48,100	51,385
Deposits, prepayments and other receivables		35,050	34,926
Amounts due from fellow subsidiaries		171	204
Bank deposits and cash		43,186	105,814
		141,585	210,405
Current liabilities			
Amounts due to trade creditors	9	50,154	59,135
Accrued expenses and other payables		219,400	239,758
Receipts in advance and customers' deposits		170,012	183,821
Interest bearing borrowings		705,000	590,000
Current taxation		89	113
Amounts due to fellow subsidiaries		35,096	26,129
Amount due to immediate holding company		-	3,229
		1,179,751	1,102,185
Net current liabilities		(1,038,166)	(891,780)
Total assets less current liabilities		378,346	523,349
Non-current liabilities			
Deferred tax liabilities	7	5,314	9,210
Other non-current liabilities		8,690	8,741
		14,004	17,951
NET ASSETS		364,342	505,398
CAPITAL AND RESERVES			
Share capital		6,857,599	6,857,599
Reserves		(6,493,257)	(6,352,201)
TOTAL EQUITY		364,342	505,398

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended June 30, 2017 – unaudited

	Attributable to equity shareholders of the Company					
	Share capital HK\$'000	Special capital reserve HK\$'000	Exchange reserve HK\$'000	Revenue Reserve HK\$'000	Total reserves HK\$'000	Total equity HK\$'000
Balance at January 1, 2016	6,857,599	13,985	3,643	(6,056,254)	(6,038,626)	818,973
Changes in equity for the six months ended June 30, 2016:						
Loss for the period	-	-	-	(134,782)	(134,782)	(134,782)
Other comprehensive income	-	-	(320)	-	(320)	(320)
Total comprehensive income	-	-	(320)	(134,782)	(135,102)	(135,102)
Balance at June 30, 2016	6,857,599	13,985	3,323	(6,191,036)	(6,173,728)	683,871
Balance at January 1, 2017	6,857,599	13,985	2,858	(6,369,044)	(6,352,201)	505,398
Changes in equity for the six months ended June 30, 2017:						
Loss for the period	-	-	-	(141,137)	(141,137)	(141,137)
Other comprehensive income	-	-	81	-	81	81
Total comprehensive income	-	-	81	(141,137)	(141,056)	(141,056)
Balance at June 30, 2017	6,857,599	13,985	2,939	(6,510,181)	(6,493,257)	364,342

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

1. Basis of preparation and comparative figures

The unaudited interim financial report has been 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 the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The unaudited interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements.

The HKICPA has issued several amendments to Hong Kong Financial Reporting Standards that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The financial information relating to the financial year ended December 31, 2016 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended December 31, 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance. The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis; and did not contain a statement under either sections 406(2), 407(2) or (3) of the Companies Ordinance, except that the auditor’s report included a section headed “Material Uncertainty Related to Going Concern” to draw attention to certain events disclosed in note 1(b) to the consolidated financial statements. Such section is extracted from the Company’s annual report for the year ended December 31, 2016 which indicated a material uncertainty existed that may cast significant doubt on the Group’s ability to continue as a going concern. The auditor’s opinion was neither qualified nor modified in respect of this matter.

2. 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.

3. Segment information

Business segments for the six months ended June 30, 2017 and 2016:

	Television		Internet and multimedia		Unallocated		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	466,184	519,195	162,192	168,256	12,736	22,425	641,112	709,876
Inter-segment revenue	4,515	7,068	104	100	2,550	4,445	7,169	11,613
Reportable segment revenue	470,699	526,263	162,296	168,356	15,286	26,870	648,281	721,489
Reportable segment results ("EBITDA")	(119,197)	(44,020)	53,667	71,193	(52,119)	(48,234)	(117,649)	(21,061)
Reportable segment results ("EBIT")	(184,876)	(112,660)	16,448	31,977	(53,412)	(49,460)	(221,840)	(130,143)
Inter-segment elimination							-	(2,786)
Loss from operations							(221,840)	(132,929)
Interest income							62	2
Finance costs, net							(4,686)	(2,128)
Non-operating income/(expenses)							82,890	(427)
Income tax							2,437	700
Loss for the period							(141,137)	(134,782)

4. Loss before taxation

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

	Six months ended June 30,	
	2017	2016
	HK\$'000	HK\$'000
Depreciation		
- assets held for use under operating leases	11,077	14,752
- other assets	93,114	94,330
Amortisation of programming library*	54,445	52,300
Staff costs	310,480	315,379
Contributions to defined contribution retirement plans	17,843	17,684
Cost of inventories	3,264	3,434
Interest expenses on borrowings	4,686	2,128
Auditors' remuneration	2,122	1,570
Non-operating (income)/expenses		
- gain on disposal of property holding companies and real properties	(82,478)	-
- net (gain)/loss on disposal of plant and equipment	(412)	427

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

5. Income tax

	Six months ended June 30,	
	2017	2016
	HK\$'000	HK\$'000
Current tax – Overseas	211	292
Deferred taxation	(2,648)	(992)
	<u>(2,437)</u>	<u>(700)</u>

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate at 16.5% (2016: 16.5%) to the six months ended June 30, 2017. 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\$141 million (2016: HK\$135 million) and the weighted average number of ordinary shares outstanding during the period of 2,011,512,400 (2016: 2,011,512,400).

There were no potential diluted ordinary shares in existence during the periods ended June 30, 2017 and 2016.

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, 2017	54,375	(351,632)	(297,257)
Charged/(credited) to consolidated statement of profit or loss (Note 5)	1,147	(3,794)	(2,647)
At June 30, 2017	<u>55,522</u>	<u>(355,426)</u>	<u>(299,904)</u>
	At June 30, 2017	At December 31, 2016	
	HK\$'000	HK\$'000	
Net deferred tax assets recognised in the consolidated statement of financial position	(305,218)	(306,467)	
Net deferred tax liabilities recognised in the consolidated statement of financial position	<u>5,314</u>	<u>9,210</u>	
	(299,904)	(297,257)	

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, 2017 HK\$'000	At December 31, 2016 HK\$'000
0 to 30 days	23,152	16,530
31 to 60 days	4,460	15,421
61 to 90 days	6,871	8,524
Over 90 days	13,617	10,910
	<u>48,100</u>	<u>51,385</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:

	At June 30, 2017 HK\$'000	At December 31, 2016 HK\$'000
0 to 30 days	13,205	17,012
31 to 60 days	22,494	21,945
61 to 90 days	9,484	12,271
Over 90 days	4,971	7,907
	<u>50,154</u>	<u>59,135</u>

10. Review of results

The unaudited interim financial report for the six months ended June 30, 2017 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 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.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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