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i-CABLE COMMUNICATIONS LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 1097

2012 Final Results Announcement

GROUP RESULTS

The loss attributable to Shareholders for the year ended December 31, 2012 amounted to HK\$278 million, as compared to HK\$180 million in 2011. Basic and diluted loss per share were both HK\$0.14 (2011: HK\$0.09). Exclusion of non-recurrent items would have reduced net loss to a comparable level as 2011.

DIVIDEND

The Board has resolved not to declare any dividend for the year ended December 31, 2012 (2011: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

A. Review of 2012 Results

Consolidated turnover increased by 1% to HK\$2,127 million.

Operating costs before depreciation increased by 6% to HK\$2,149 million. Programming costs increased by 9% and cost of sales 20%, while selling, customer service, general and administrative expenses decreased by 5% and network costs 1%.

EBITDA loss was HK\$22 million (2011: EBITDA gain HK\$78 million).

Net loss was HK\$278 million (2011: HK\$179 million). Basic and diluted loss per share was HK\$0.14 (2011: HK\$0.09).

B. Segmental Information

Television

TV services customers decreased by 17,000 in 2012 to 1,089,000. Turnover slightly increased to HK\$1,757 million, mainly attributable to higher advertising income. Operating costs before depreciation increased by 6% to HK\$1,787 million, primarily due to London Olympics and major soccer leagues partly offset by lower selling, customer service, general and administrative expenses and cost of sales. EBITDA loss of HK\$30 million was recorded (2011: EBITDA gain HK\$69 million).

Internet & Multimedia

Broadband services customers decreased by 17,000 in 2012 to 201,000, and Telephony services customers decreased by 23,000 to 126,000. Turnover decreased by HK\$1 million to HK\$338 million. Operating costs before depreciation increased by 4% to HK\$221 million. EBITDA decreased by 7% to HK\$118 million (2011: HK\$127 million).

C. Liquidity and Financial Resources

As of December 31, 2012, the Group had bank deposits and cash, net of bank borrowings, of HK\$188 million (2011: HK\$338 million).

The consolidated net asset value of the Group as at December 31, 2012 was HK\$1,284 million, or HK\$0.64 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\$209 million (2011: HK\$199 million). Major items included HD set-top-boxes, DOCSIS 3.0 cable modems, call centre telephone system upgrade as well as TV production and broadcast facilities for HD channels and London Olympics.

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

D. Contingent Liabilities

At December 31, 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\$206 million), of which HK\$100 million (2011: Nil) have been utilised by the subsidiaries.

E. Human Resources

The Group had 2,605 employees at the end of 2012 (2011: 2,829). Total gross amount of salaries and related costs incurred in the corresponding period amounted to HK\$719 million (2011: HK\$709 million).

F. Competition and Operating Environment

Competitive pressure remained high and the operating environment challenging.

Following strong growths in recent years, there were signs of our television customer base entering a new phase in a saturating market. Television turnover remained roughly on par with the previous year, but we faced substantially higher programming costs from London Olympics and European football leagues.

Competition in the Broadband and Telephony sectors remained keen, with price wars impacting our turnover and customer base.

G. Outlook

The telecommunications, broadcasting and entertainment businesses are in a state of flux with service operators and content providers trying to keep up with the tide of changes.

Traditional demarcations differentiating various types of services, contents, delivery platforms and users from one another are fading. Those who used to be upstream or downstream business partners could easily become one's competitors these days. Cross-sector competition is becoming more and more commonplace.

In the light of these developments, we would ensure that our strategies would be prudent yet enterprising, and bold yet sustainable, when we press ahead with investments in premier programming acquisition and production, system and infrastructure upgrades, customer service enhancements and value-added features enabling us to meet new challenges and drive customer and revenue growths.

The anticipated decrease in programming costs, notably on the cessation of the Group's BPL broadcast rights at the end of the current football season, may have a significant favourable effect to the Group's financial results.

CONSOLIDATED INCOME STATEMENT
For the year ended December 31, 2012

	Note	2012 HK\$'000	2011 HK\$'000
Turnover	(3,4)	2,127,204	2,109,558
Programming costs		(1,427,602)	(1,304,848)
Network expenses		(222,519)	(225,465)
Selling, general and administrative and other operating expenses		(389,423)	(408,898)
Cost of sales		(109,910)	(91,958)
(Loss)/profit from operations before depreciation		(22,250)	78,389
Depreciation	(5)	(252,479)	(258,197)
Loss from operations		(274,729)	(179,808)
Interest income		842	826
Finance costs, net		(3,605)	(1,389)
Impairment losses on investment		(1,083)	-
Non-operating income/(expenses)		5,674	(2,860)
Loss before taxation	(5)	(272,901)	(183,231)
Income tax	(6)	(5,434)	3,802
Loss for the year		(278,335)	(179,429)
Attributable to:			
Equity shareholders of the Company		(278,335)	(179,832)
Non-controlling interests		-	403
Loss for the year		(278,335)	(179,429)
Loss per share	(8)		
Basic		(13.8) cents	(8.9) cents
Diluted		(13.8) cents	(8.9) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended December 31, 2012

	Note	2012 HK\$'000	2011 HK\$'000
Loss for the year		<u>(278,335)</u>	<u>(179,429)</u>
Other comprehensive income for the year (after reclassification adjustment)	(7)		
Exchange difference on translation of foreign subsidiaries' financial statements		<u>(115)</u>	<u>(864)</u>
Total comprehensive income for the year		<u>(278,450)</u>	<u>(180,293)</u>
Attributable to:			
Equity shareholders of the Company		<u>(278,450)</u>	<u>(180,837)</u>
Non-controlling interests		<u>-</u>	<u>544</u>
Total comprehensive income for the year		<u>(278,450)</u>	<u>(180,293)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At December 31, 2012

	Note	2012 HK\$'000	2011 HK\$'000
Non-current assets			
Property, plant and equipment		1,024,223	1,074,806
Programming library		108,945	106,816
Other intangible assets		3,767	4,006
Interest in associate		-	-
Deferred tax assets		322,551	336,041
Other non-current assets		58,580	58,826
		<u>1,518,066</u>	<u>1,580,495</u>
Current assets			
Inventories		5,947	5,886
Accounts receivable from trade debtors	(9)	88,936	87,145
Deposits, prepayments and other receivables		62,202	161,752
Amounts due from fellow subsidiaries		1,823	901
Cash and cash equivalents		288,287	338,359
		<u>447,195</u>	<u>594,043</u>
Current liabilities			
Amounts due to trade creditors	(10)	106,488	93,397
Accrued expenses and other payables		184,266	197,861
Receipts in advance and customers' deposits		208,034	205,638
Current taxation		696	22
Amounts due to fellow subsidiaries		27,043	49,976
Amount due to immediate holding company		1,770	1,816
		<u>528,297</u>	<u>548,710</u>
Net current (liabilities)/assets		<u>(81,102)</u>	<u>45,333</u>
Total assets less current liabilities		<u>1,436,964</u>	<u>1,625,828</u>
Non-current liabilities			
Deferred tax liabilities		44,009	53,708
Other non-current liabilities		8,592	9,307
Bank loans		100,000	-
		<u>152,601</u>	<u>63,015</u>
NET ASSETS		<u>1,284,363</u>	<u>1,562,813</u>
Capital and reserves			
Share capital		2,011,512	2,011,512
Reserves		(727,149)	(448,699)
Total equity attributable to equity shareholders of the Company		<u>1,284,363</u>	<u>1,562,813</u>
Non-controlling interests		-	-
TOTAL EQUITY		<u>1,284,363</u>	<u>1,562,813</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the year ended December 31, 2012

	Attributable to equity shareholders of the Company									Non-controlling interests HK\$'000	Total equity HK\$'000	
	Share capital HK\$'000	Share premium HK\$'000	Special capital reserve HK\$'000	Exchange reserve HK\$'000	Capital redemption reserve HK\$'000	Fair value reserve HK\$'000	Revenue reserve HK\$'000	Other reserve HK\$'000	Total reserves HK\$'000			Total 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 year	-	-	-	-	-	-	(179,832)	-	(179,832)	(179,832)	403	(179,429)
Other comprehensive income for the year	-	-	-	(1,005)	-	-	-	-	(1,005)	(1,005)	141	(864)
Total comprehensive income for the year	-	-	-	(1,005)	-	-	(179,832)	-	(180,837)	(180,837)	544	(180,293)
Transfer to special capital reserve	-	-	19	-	-	-	(19)	-	-	-	-	-
Liquidation of a subsidiary	-	-	-	-	-	-	-	-	-	-	(3,783)	(3,783)
Balance at December 31, 2011*	<u>2,011,512</u>	<u>4,838,365</u>	<u>13,963</u>	<u>3,650</u>	<u>7,722</u>	<u>-</u>	<u>(5,312,399)</u>	<u>-</u>	<u>(448,699)</u>	<u>1,562,813</u>	<u>-</u>	<u>1,562,813</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 STATEMENTS OF CHANGES IN EQUITY (continued)
For the year ended December 31, 2012

	Attributable to equity shareholders of the Company										Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Special capital reserve HK\$'000	Exchange reserve HK\$'000	Capital redemption reserve HK\$'000	Fair value reserve HK\$'000	Revenue reserve HK\$'000	Other reserve HK\$'000	Total reserves HK\$'000	Total 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>-</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.

NOTES TO THE FINANCIAL STATEMENTS

(1) Basis of preparation

The financial statements for the year ended December 31, 2012 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\$81 million as of December 31, 2012, the Group had cash of HK\$288 million (of which HK\$100 million was drawn from a term loan). In addition, a revolving banking facility of HK\$100 million was available and undrawn as of the balance sheet date and a net HK\$65 million was subsequently drawn down to meet short term, seasonal cash requirements. These banking facilities mature in early January 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

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. These include the amendments to HKFRS 7, *Financial instruments: Disclosures – Transfer of financial assets* and amendments to HKAS 12, *Income taxes – Deferred tax: Recovery of underlying assets*. None of these developments are relevant to 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, 2012 and 2011 is set out below:

	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	1,742,433	1,737,460	338,102	338,825	46,669	33,273	2,127,204	2,109,558
Inter-segment revenue	14,537	11,331	386	1,072	6,441	7,110	21,364	19,513
Reportable segment revenue	1,756,970	1,748,791	338,488	339,897	53,110	40,383	2,148,568	2,129,071
Reportable segment results ("EBITDA")	(29,998)	68,816	117,624	126,561	(108,545)	(115,771)	(20,919)	79,606
Reportable segment results ("EBIT")	(184,199)	(94,658)	25,918	38,983	(115,117)	(122,916)	(273,398)	(178,591)
Inter-segment elimination							(1,331)	(1,217)
Loss from operations							(274,729)	(179,808)
Interest income							842	826
Finance costs, net							(3,605)	(1,389)
Impairment losses on investment							(1,083)	-
Non-operating income/ (expenses)							5,674	(2,860)
Income tax							(5,434)	3,802
Loss for the year							(278,335)	(179,429)

(4) **Segment information (continued)**

	Segment assets	
	2012	2011
	HK\$'000	HK\$'000
Television	909,453	1,051,154
Internet and Multimedia	432,322	419,707
Unallocated assets	300,935	366,553
	1,642,710	1,837,414
Interest in associate	-	-
Deferred tax assets	322,551	336,041
Investments in equity securities	-	1,083
	1,965,261	2,174,538

	Segment liabilities	
	2012	2011
	HK\$'000	HK\$'000
Television	440,753	341,639
Internet and Multimedia	111,808	102,197
Unallocated liabilities	83,632	114,159
	636,193	557,995
Current taxation	696	22
Deferred tax liabilities	44,009	53,708
	680,898	611,725

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):

	2012	2011
	HK\$'000	HK\$'000
Depreciation		
- assets held for use under operating leases	39,919	39,102
- other assets	212,560	219,095
	252,479	258,197
Amortisation of programming library*	93,917	82,752
Impairment losses		
- trade and other receivables	5,136	4,657
- property, plant and equipment	1,595	2,173
- programming library	3,796	4,785
- investments in equity securities	1,083	-
Reversal of impairment losses on trade and other receivables	(1,057)	(1,282)
Salaries, wages and other benefits	653,550	675,545
Contributions to defined contribution retirement plans	34,041	32,886
Cost of inventories	19,053	15,318
Auditors' remuneration – audit service		
- charge for the year	2,852	2,719
- under-provision in respect of prior years	186	187
Net loss on forward exchange contracts	9	1,389
Net (gain)/loss on disposal of property, plant and equipment	(5,674)	2,860

* 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% (2011: 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/(credit) for the year ended December 31 represents:

	2012	2011
	HK\$'000	HK\$'000
Tax expenses/(credit) for the year – overseas	1,643	(1,538)
Net deferred tax expenses/(credit)	3,791	(2,264)
Income tax	5,434	(3,802)

(7) Other comprehensive income

Reclassification adjustment relating to components of other comprehensive income

	2012	2011
	HK\$'000	HK\$'000
Exchange reserve:		
Exchange difference on translation of foreign subsidiaries' financial statements	(115)	1,765
Reclassification adjustment for amounts transferred to profit or loss:		
- liquidation of a subsidiary	<u>-</u>	<u>(2,629)</u>
Net movement in the exchange reserve during the year recognised in other comprehensive income	<u>(115)</u>	<u>(864)</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\$278 million (2011: HK\$180 million) and the weighted average number of ordinary shares outstanding during the year of 2,011,512,400 (2011: 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\$278 million (2011: HK\$180 million) and the weighted average number of ordinary shares of 2,011,512,400 (2011: 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:

	2012	2011
	HK\$'000	HK\$'000
0 to 30 days	18,991	24,106
31 to 60 days	27,478	22,337
61 to 90 days	17,458	18,861
Over 90 days	<u>25,009</u>	<u>21,841</u>
	<u>88,936</u>	<u>87,145</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:

	2012	2011
	HK\$'000	HK\$'000
0 to 30 days	24,006	14,999
31 to 60 days	30,709	24,271
61 to 90 days	16,821	21,504
Over 90 days	34,952	32,623
	<u>106,488</u>	<u>93,397</u>

(11) Review of Financial Statements

The financial results for the year ended December 31, 2012 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, 2012 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 PRACTICES

During the first three-month period in the financial year 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 nine-month period in the financial year under review (i.e. from April 1 to December 31, 2012), 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 (as explained 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 year under review.

BOOK CLOSURE

The Register of Members of the Company will be closed from Wednesday, May 29, 2013 to Thursday, May 30, 2013, 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 May 30, 2013, 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 Tuesday, May 28, 2013.

By Order of the Board
Wilson W. S. Chan
Company Secretary

Hong Kong, March 5, 2013

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.