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## **i-CABLE COMMUNICATIONS LIMITED**

*(Incorporated in Hong Kong with limited liability)*

Stock Code: 1097

### **Interim Results Announcement For the six months ended June 30, 2010**

#### **TELEVISION**

- 2010 FIFA World Cup was a major draw card to rebuild business momentum. In addition, subscribers were thrilled by the sharpest High Definition pictures in town.
- However, the recognition of recurrent revenue from long term subscriber commitments very seriously lags the substantial non-recurrent programming costs booked in the period.
- A large operating loss for the period therefore resulted.
- Subscribers increased by 9% to 1,086,000 (2009 year end: 1,000,000). This represented the largest half yearly net gain ever.
- However, turnover increased by only 22% to HK\$725 million (2009: HK\$595 million).
- Operating expenses increased by 47% to HK\$748 million (2009: HK\$508 million), mainly due to special events including World Cup, Winter Olympics, etc.
- An operating loss of HK\$102 million was reported (2009: HK\$1 million profit).
- World Cup has jump-started business growth to build up to the opening in August of the new season for Barclays Premier League and UEFA Champions League, by far the most popular football leagues around the world today.
- Post-World Cup subscriber retention has also been very satisfactory.
- Asian Games in Guangzhou in November will further galvanize the attention of the Hong Kong public.

- However, costs in the second half of the year will be higher than in the first half to reflect the additional programming investment. Much more dynamic revenue growth will be needed.
- While its application for a Free TV licence is under evaluation, subsidiary Fantastic Television Limited has begun pre-mobilisation to enable service to be rolled out to 95% of all Hong Kong households within six months from licence award.

## **INTERNET & MULTIMEDIA**

- Competition heightened in the period.
- Broadband subscribers decreased by 6% to 234,000 (2009 year end: 249,000).
- Turnover decreased by 13% to HK\$231 million (2009: HK\$266 million).
- Operating profit decreased by 32% to HK\$55 million (2009: HK\$81 million).
- Technology upgrade has been substantially completed for Hong Kong Island to enhance the service's competitiveness.

## **GROUP RESULTS**

- Turnover increased by 12% to HK\$962 million (2009: HK\$862 million).
- A net loss of HK\$106 million was reported for the core businesses due to the recognition timing mismatch for Pay TV. In addition, a one-off investment loss of HK\$39 million in a film fund was booked.
- The Group loss attributable to Shareholders amounted to HK\$146 million (2009: net profit of HK\$5 million).
- Basic and diluted loss per share were both HK\$0.072 (2009: earnings of HK\$0.002).
- Capital expenditure decreased by 4% to HK\$120 million (2009: HK\$125 million).
- Net cash was HK\$539 million as at June 30, 2010 (2009: HK\$621 million).

## **DIVIDENDS**

The Board has resolved not to declare any interim dividend for the six months ended June 30, 2010 (2009 interim dividend: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### A. Review of 2010 Interim Results

Consolidated turnover increased by 12% to HK\$962 million.

Operating costs before depreciation increased by 31% to HK\$944 million. Programming costs increased by 44%; selling, customer service, general and administrative expenses increased by 24% and cost of sales increased by 41%, while network costs decreased by 2%. Depreciation decreased by 9% to HK\$126 million.

Net loss of HK\$145 million was reported (2009: net profit of HK\$5 million).

Basic loss per share was 7.2 cents as compared to earnings per share of 0.2 cents in 2009.

### B. Segmental Information

#### *Pay Television*

Subscribers increased by a record 86,000 or 9% in the period to 1,086,000. Turnover increased by 22% to HK\$725 million, mainly attributable to increase in higher yield subscriptions and strong commercial airtime. Operating costs after depreciation increased by 39% to HK\$827 million primarily due to higher programming cost of 2010 FIFA World Cup. Operating loss of HK\$102 million was reported (2009: operating profit of HK\$1 million).

#### *Internet & Multimedia*

Broadband subscribers decreased by 16,000 or 6% in the period to 234,000 and the Voice conveyance service decreased by 5,000 or 3% to 147,000 lines in the period. Turnover decreased by 13% to HK\$231 million. Operating costs after depreciation decreased by 4% to HK\$177 million primarily due to lower depreciation charges. Operating profit decreased by 32% to HK\$55 million (2009: HK\$81 million).

### C. Liquidity and Financial Resources

As of June 30, 2010, the Group had net cash of HK\$539 million, as compared to HK\$532 million at December 31, 2009.

The consolidated net asset value of the Group as at June 30, 2010 was HK\$1,870 million, or HK\$0.9 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\$120 million, 4% lower than the same period last year. Major items included High Definition (HD) set-top-boxes, broadband network upgrade as well as television production facilities for HD channels.

The Group's ongoing capital expenditure and new business development will be funded by cash in hand and cash to be generated from operations plus, if needed, bank borrowings or other

external sources of funds. The Group also had total short-term bank credit facilities of approximately HK\$13 million which remained unutilised as of June 30, 2010.

#### **D. Contingent Liabilities**

At June 30, 2010, 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\$19 million, of which only HK\$6 million have been utilised by the subsidiaries.

#### **E. Human Resources**

The Group had a total of 2,829 employees at the end of June 2010 (2009: 2,851). Total gross amount of salaries and related costs incurred in the corresponding period amounted to HK\$387 million (2009: HK\$354 million).

With pay for performance culture, we nurture professionals and talents to strive for excellence.

The Group actively participates in community affairs. We were awarded the “Caring Company Scheme 5 Years Plus Logo” by the Hong Kong Council of Social Service in recognition of our continuous commitment in corporate social responsibility.

#### **F. Competition and Operating Environment**

Competition remained fierce, particularly as our main competitor mounted aggressive marketing initiatives in an apparent attempt to cushion the impact of its loss of the broadcast rights of the Barclays Premier League to us for the next three seasons.

Our own marketing and promotional campaigns have successfully maximized the leverage of our prized acquired contents to grow our subscriber base, revenue and airtime sales. Cut-throat competition on the broadband front is not expected to ease soon.

#### **G. Outlook**

The Group’s strategy of investing for the future, particularly in unique premier programming, even during difficult operating times of the financial tsunami, is again proven to be effective.

As economy recovery began to take hold during the first half of the year, such investments have started to pay off as our attractive content drove subscriber and revenue growth.

In the second half of the year, we will continue to roll out superior programme and new service offering, including an expansion of the HD platform and Barclays Premier League.

While competition pressure is not expected to ease, we are confident that the renewed growth momentum we have seen will be sustained, and be reflected in the Group's financial performance in due course.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

During the financial period under review, all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited were met by the Company, except in respect of one code provision providing for the roles of chairman and chief executive officer to be performed by different individuals. 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, a substantial proportion thereof being Independent Non-executive Directors.

**UNAUDITED CONSOLIDATED INCOME STATEMENT**  
**For the six months ended June 30, 2010**

	Note	2010 HK\$'000	2009 HK\$'000
<b>Turnover</b>	(2,3)	<b>962,040</b>	861,655
Programming costs		(545,973)	(379,287)
Network expenses		(118,628)	(120,513)
Selling, general and administrative and other operating expenses		(250,382)	(201,743)
Cost of sales		<u>(29,023)</u>	<u>(20,614)</u>
<b>Profit from operations before depreciation</b>		<b>18,034</b>	139,498
Depreciation		<u>(126,447)</u>	<u>(138,730)</u>
<b>(Loss)/profit from operations</b>	(3)	<b>(108,413)</b>	768
Interest income		<b>61</b>	152
Finance costs		-	(1)
Impairment losses on investment		-	(1,006)
Non-operating income/(expenses)	(4)	<b>1,180</b>	(1,164)
Share of (loss)/profit of associate		<u>(39,081)</u>	<u>805</u>
<b>Loss before taxation</b>	(4)	<b>(146,253)</b>	(446)
Income tax	(5)	<u>762</u>	<u>5,528</u>
<b>(Loss)/profit for the period</b>		<u><b>(145,491)</b></u>	<u>5,082</u>
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>(145,545)</b>	4,910
Non-controlling interests		<u>54</u>	<u>172</u>
<b>(Loss)/profit for the period</b>		<u><b>(145,491)</b></u>	<u>5,082</u>
<b>(Loss)/earnings per share</b>			
Basic	(6)	<u><b>(7.2) cents</b></u>	<u>0.2 cents</u>
Diluted	(6)	<u><b>(7.2) cents</b></u>	<u>0.2 cents</u>

**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For the six months ended June 30, 2010**

	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
<b>(Loss)/profit for the period</b>	<u>(145,491)</u>	<u>5,082</u>
<b>Other comprehensive income for the period</b> <b>(after reclassification adjustment)</b>		
Exchange difference on translation of foreign subsidiaries' financial statements	(68)	106
Available-for-sale securities: net movement in the fair value reserve	4,282	(207)
Share of post-acquisition reserve of associate	<u>935</u>	<u>(908)</u>
	<u>5,149</u>	<u>(1,009)</u>
<b>Total comprehensive income for the period</b>	<u>(140,342)</u>	<u>4,073</u>
<b>Attributable to:</b>		
Equity shareholders of the Company	(140,396)	3,885
Non-controlling interests	<u>54</u>	<u>188</u>
<b>Total comprehensive income for the period</b>	<u>(140,342)</u>	<u>4,073</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**At June 30, 2010**

		<b>At June 30, 2010 (unaudited) HK\$'000</b>	At December 31, 2009 (audited) HK\$'000
	Note		
<b>Non-current assets</b>			
Property, plant and equipment		<b>1,144,619</b>	1,153,257
Programming library		<b>108,162</b>	113,794
Other intangible assets		<b>4,006</b>	4,006
Interest in associate		-	38,145
Deferred tax assets	(7)	<b>325,453</b>	330,305
Other non-current assets		<b>96,669</b>	81,511
		<u><b>1,678,909</b></u>	<u>1,721,018</u>
<b>Current assets</b>			
Inventories		<b>5,604</b>	4,542
Accounts receivable from trade debtors	(8)	<b>88,701</b>	55,742
Deposits, prepayments and other receivables		<b>216,693</b>	319,827
Amounts due from fellow subsidiaries		<b>4,491</b>	2,814
Cash and cash equivalents		<b>538,787</b>	530,852
		<u><b>854,276</b></u>	<u>913,777</u>
<b>Current liabilities</b>			
Amounts due to trade creditors	(9)	<b>151,264</b>	91,058
Accrued expenses and other payables		<b>241,070</b>	243,324
Receipts in advance and customers' deposits		<b>153,999</b>	155,595
Current taxation		<b>1,803</b>	2,132
Amounts due to fellow subsidiaries		<b>37,487</b>	48,110
Amount due to immediate holding company		<b>942</b>	1,872
		<u><b>586,565</b></u>	<u>542,091</u>
<b>Net current assets</b>		<u><b>267,711</b></u>	<u>371,686</u>
<b>Total assets less current liabilities</b>		<u><b>1,946,620</b></u>	<u>2,092,704</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities	(7)	<b>68,205</b>	74,118
Other non-current liabilities		<b>8,472</b>	8,301
		<u><b>76,677</b></u>	<u>82,419</u>
<b>NET ASSETS</b>		<u><b>1,869,943</b></u>	<u>2,010,285</u>
<b>Capital and reserves</b>			
Share capital		<b>2,011,512</b>	2,011,512
Reserves		<b>(144,321)</b>	(3,925)
Total equity attributable to equity shareholders of the Company		<b>1,867,191</b>	2,007,587
Non-controlling interests		<b>2,752</b>	2,698
<b>TOTAL EQUITY</b>		<u><b>1,869,943</b></u>	<u>2,010,285</u>



**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the six months ended June 30, 2010**

	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, 2009*	2,012,340	4,838,365	13,881	4,095	6,894	-	(4,823,737)	(1,996)	37,502	2,049,842	4,674	2,054,516
Total comprehensive income for the period	-	-	-	90	-	(207)	4,910	(908)	3,885	3,885	188	4,073
Share repurchased and cancelled	(828)	-	-	-	828	-	(474)	-	354	(474)	-	(474)
Share repurchase expenses	-	-	-	-	-	-	(6)	-	(6)	(6)	-	(6)
Transfer to special capital reserve	-	-	17	-	-	-	(17)	-	-	-	-	-
Balance at June 30, 2009*	<u>2,011,512</u>	<u>4,838,365</u>	<u>13,898</u>	<u>4,185</u>	<u>7,722</u>	<u>(207)</u>	<u>(4,819,324)</u>	<u>(2,904)</u>	<u>41,735</u>	<u>2,053,247</u>	<u>4,862</u>	<u>2,058,109</u>

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the six months ended June 30, 2010**

	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, 2010*	2,011,512	4,838,365	13,944	4,158	7,722	-	(4,865,182)	(2,932)	(3,925)	2,007,587	2,698	2,010,285
Total comprehensive income for the period	-	-	-	(68)	-	4,282	(145,545)	935	(140,396)	(140,396)	54	(140,342)
Balance at June 30, 2010*	<u>2,011,512</u>	<u>4,838,365</u>	<u>13,944</u>	<u>4,090</u>	<u>7,722</u>	<u>4,282</u>	<u>(5,010,727)</u>	<u>(1,997)</u>	<u>(144,321)</u>	<u>1,867,191</u>	<u>2,752</u>	<u>1,869,943</u>

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

\*\* The special capital reserve is non-distributable and it should be applied for the same purposes as the share premium account.

## **NOTES TO THE INTERIM FINANCIAL REPORT**

### **(1) Basis of preparation and comparative figures**

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

The HKICPA has issued certain new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) that are first effective or available for early adoption for the current accounting periods of the Group. We believe the adoption of these new and revised HKFRSs will not have a material impact on the Group’s financial position or results of operations.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2009 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2010 annual financial statements.

### **(2) Turnover**

Turnover comprises principally subscription and related fees for Pay TV and Internet services, Internet Protocol Point wholesale services and also includes advertising income net of agency deductions, channel service and distribution fees, programme licensing income, film exhibition and distribution income, network maintenance income, and other related income.

### (3) Segment information

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

	Pay TV		Internet and multimedia		Unallocated		Total	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Revenue from external customers	720,042	583,528	222,097	260,293	19,901	17,834	962,040	861,655
Inter-segment revenue	5,127	11,429	9,042	5,229	1,282	1,223	15,451	17,881
Reportable segment revenue	<u>725,169</u>	<u>594,957</u>	<u>231,139</u>	<u>265,522</u>	<u>21,183</u>	<u>19,057</u>	<u>977,491</u>	<u>879,536</u>
Reportable segment results ("EBIT")	<u>(101,874)</u>	<u>801</u>	<u>54,608</u>	<u>80,719</u>	<u>(60,554)</u>	<u>(80,321)</u>	<u>(107,820)</u>	<u>1,199</u>
Inter-segment elimination							<u>(593)</u>	<u>(431)</u>
(Loss)/profit from operations							<u>(108,413)</u>	<u>768</u>
Interest income							<u>61</u>	<u>152</u>
Finance costs							<u>-</u>	<u>(1)</u>
Impairment losses on investment							<u>-</u>	<u>(1,006)</u>
Non-operating income/(expenses)							<u>1,180</u>	<u>(1,164)</u>
Share of (loss)/profit of associate							<u>(39,081)</u>	<u>805</u>
Income tax							<u>762</u>	<u>5,528</u>
(Loss)/profit for the period							<u>(145,491)</u>	<u>5,082</u>

**(4) (Loss)/profit before taxation**

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

	<b>Six months ended June 30</b>	
	<b>2010</b>	<b>2009</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Depreciation		
- assets held for use under operating leases	<b>9,227</b>	9,169
- other assets	<b>117,220</b>	129,561
	<b>126,447</b>	138,730
Amortisation of programming library*	<b>41,151</b>	47,326
Staff costs	<b>371,503</b>	339,246
Contributions to defined contribution retirement plans	<b>16,642</b>	15,653
Cost of inventories	<b>5,756</b>	5,937
Auditors' remuneration	<b>1,267</b>	458
<i>Non-operating (income)/expenses</i>		
Net (gain)/loss on disposal of property, plant and equipment	<b>(1,180)</b>	1,164

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

**(5) Income tax**

The provision for Hong Kong Profits Tax is calculated at 16.5% (2009: 16.5%) of the estimated assessable profits for the period. Taxation for the overseas subsidiaries is charged at the appropriate current rate of taxation ruling in the relevant countries. The income tax charge for the six months ended June 30 represents:

	<b>2010</b>	<b>2009</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current tax provision – overseas	<b>299</b>	233
Net deferred tax income	<b>(1,061)</b>	(5,761)
	<b>(762)</b>	(5,528)

(6) **(Loss)/earnings per share**

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of HK\$145 million (2009: profit HK\$5 million) and the weighted average number of ordinary shares outstanding during the period of 2,011,512,400 (2009: 2,011,856,289).

Weighted average number of ordinary shares

	<b>At June 30, 2010</b>	At June 30, 2009
Issued ordinary shares at January 1	<b>2,011,512,400</b>	2,012,340,400
Effect of shares repurchased	<u>-</u>	<u>(484,111)</u>
Weighted average number of ordinary shares at end of period	<u><b>2,011,512,400</b></u>	<u>2,011,856,289</u>

The calculation of diluted loss per share is based on the weighted average number of ordinary shares of 2,011,512,400 (2009: 2,011,856,289) after adjusting for the effects of all dilutive potential ordinary shares.

(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 <u>HK\$'000</u>	Tax losses <u>HK\$'000</u>	<u>Total HK\$'000</u>
At January 1, 2010	95,022	(351,209)	(256,187)
Charged/(credited) to consolidated income statement (Note 5)	<u>(4,949)</u>	<u>3,888</u>	<u>(1,061)</u>
At June 30, 2010	<u>90,073</u>	<u>(347,321)</u>	<u>(257,248)</u>
	<b>At June 30, 2010 HK\$'000</b>	At December 31, 2009 HK\$'000	
Net deferred tax assets recognised on the statement of financial position	<b>(325,453)</b>	(330,305)	
Net deferred tax liabilities recognised on the statement of financial position	<u><b>68,205</b></u>	<u>74,118</u>	
	<u><b>(257,248)</b></u>	<u>(256,187)</u>	

**(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:

	<b>At June 30, 2010 HK\$'000</b>	At December 31, 2009 HK\$'000
0 to 30 days	<b>55,087</b>	21,394
31 to 60 days	<b>4,985</b>	15,272
61 to 90 days	<b>16,426</b>	10,087
Over 90 days	<b>12,203</b>	8,989
	<b><u>88,701</u></b>	<u>55,742</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:

	<b>At June 30, 2010 HK\$'000</b>	At December 31, 2009 HK\$'000
0 to 30 days	<b>58,136</b>	7,314
31 to 60 days	<b>19,799</b>	14,970
61 to 90 days	<b>39,045</b>	17,274
Over 90 days	<b>34,284</b>	51,500
	<b><u>151,264</u></b>	<u>91,058</u>

**(10) Review of results**

The unaudited interim financial report for the six months ended June 30, 2010 has been reviewed with no disagreement by the Audit Committee of the Company.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the financial period under review.

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

Hong Kong, August 10, 2010

*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 three Independent non-executive Directors, namely, Mr. T. K. Ho, Mr. Patrick Y. W. Wu and Mr. Anthony K. K. Yeung.*