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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, 2016

RESULTS HIGHLIGHTS

- The Hong Kong economy slowed further.
- In particular, the local advertising market was weak due to sluggish consumer business.
- Nevertheless, subscription ARPU continued its growth trend and subscription revenues were stabilizing in spite of a smaller subscriber base.
- New business initiatives are being launched to contain customer attrition.
- Fantastic TV was granted a free TV licence and is preparing for the launch of its Cantonese channel latest by May 2017.

GROUP RESULTS (unaudited)

The unaudited Group loss attributable to Shareholders for the six months ended June 30, 2016 was HK$135 million (2015: HK$121 million). Basic and diluted loss per share were both HK$0.07 (2015: HK$0.06).

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended June 30, 2016 (2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

A. Review of 2016 Interim Results

Consolidated revenue decreased by HK$50 million or 7% to HK$710 million.

Operating costs before depreciation decreased by 5% to HK$734 million. Programming decreased by 7%, selling, customer services, general & administrative expenses 5% and cost of sales 1%, while network cost increased by 2%.

EBITDA loss was HK$24 million (2015: HK$15 million). Net loss was HK$135 million (2015: HK$121 million). Basic and diluted loss per share was HK$0.07 (2015: HK$0.06).

B. Segmental Information

Television

Revenue decreased by 8% to HK$526 million on lower subscription and advertising income. Operating costs before depreciation decreased by 4% to HK$570 million. EBITDA loss was HK$44 million (2015: HK$27 million).

Internet & Multimedia

Revenue decreased by 3% to HK$168 million. Operating costs before depreciation decreased by 6% to HK$97 million. EBITDA increased by 1% to HK$71 million (2015: HK$71 million).

C. Liquidity and Financial Resources

As of June 30, 2016 the Group had net debt of HK$393 million, as compared to HK$212 million at June 30, 2015.

Consolidated net asset value was HK$684 million, or HK$0.34 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$110 million (2015: HK$79 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 June 30, 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$406 million), of which HK$415 million (2015: HK$230 million) was utilised by the subsidiaries.

E. Human Resources

The Group had 2,176 employees at the end of June 2016 (2015: 2,227). Total gross salaries and related costs incurred in the period amounted to HK$352 million (2015: HK$354 million).

F. Operating Environment

The Hong Kong economy slowed further in the first half of 2016 and the local advertising market was weak due to sluggish consumer business. The Group's financial performance was affected by the decline of advertising and subscription revenues despite our efforts on cost control.

Hong Kong's television industry is in transition, led by free-to-air broadcasting. Viu TV launched its Cantonese channel in April shortly after ATV going off air and ending its 59-year run as the oldest Chinese Language broadcaster. Our affiliate Fantastic Television Limited was granted an initial licence of 12 years until 30 May 2028, subject to mid-term review around 2022.

G. Outlook

Looking ahead, both global and local economies remain challenging and competitive pressure would not abate. We are well prepared and positioned.

We will continue to invest in programming across platforms, HD upgrades, customer service improvements, network enhancement for higher speed broadband service, as well as new marketing and media initiatives to sharpen our competitiveness.

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended June 30, 2016 – unaudited

	Note	Six months ended June 30, **2016** **HK$'000**	2015 HK$'000
Revenue	2,3	**709,876**	759,573
Programming costs		**(424,423)**	(458,459)
Network expenses		**(104,288)**	(102,173)
Selling, general and administrative and other operating expenses		**(162,926)**	(171,293)
Cost of sales		**(42,086)**	(42,418)
Loss from operations before depreciation		**(23,847)**	(14,770)
Depreciation	4	**(109,082)**	(112,423)
Loss from operations	3	**(132,929)**	(127,193)
Interest income		**2**	3
Finance costs, net		**(2,128)**	(1,291)
Non-operating expenses		**(427)**	(727)
Loss before taxation	4	**(135,482)**	(129,208)
Income tax	5	**700**	7,743
Loss for the period		**(134,782)**	(121,465)
Attributable to:			
Equity shareholders of the Company		**(134,782)**	(121,465)
Loss per share	6		
Basic		**(6.7) cents**	(6.0) cents
Diluted		**(6.7) cents**	(6.0) cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended June 30, 2016 – unaudited

	Six months ended June 30,	
	2016	2015
	HK$'000	HK$'000
Loss for the period	**(134,782)**	(121,465)
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	**(320)**	10
Total comprehensive income for the period	**(135,102)**	(121,455)
Attributable to:		
Equity shareholders of the Company	**(135,102)**	(121,455)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At June 30, 2016 – unaudited

	Note	**At June 30, 2016 (unaudited) HK$'000**	At December 31, 2015 (audited) HK$'000
Non-current assets			
Property, plant and equipment		**873,000**	873,803
Programming library		**153,249**	156,531
Intangible assets		**3,767**	3,767
Interest in associate		**-**	-
Deferred tax assets	7	**305,915**	308,884
Other non-current assets		**66,331**	62,588
		1,402,262	1,405,573
Current assets			
Inventories		**14,188**	14,891
Accounts receivable from trade debtors	8	**39,914**	68,096
Deposits, prepayments and other receivables		**49,493**	28,060
Amounts due from fellow subsidiaries		**702**	79
Cash and cash equivalents		**21,854**	82,427
		126,151	193,553
Current liabilities			
Amounts due to trade creditors	9	**10,492**	33,138
Accrued expenses and other payables		**182,644**	214,532
Receipts in advance and customers' deposits		**177,736**	170,392
Interest bearing borrowings		**415,000**	300,000
Current taxation		**151**	150
Amounts due to fellow subsidiaries		**34,599**	34,308
Amount due to immediate holding company		**2,422**	1,614
		823,044	754,134
Net current liabilities		**(696,893)**	(560,581)
Total assets less current liabilities		**705,369**	844,992
Non-current liabilities			
Deferred tax liabilities	7	**13,286**	17,247
Other non-current liabilities		**8,212**	8,772
		21,498	26,019
NET ASSETS		**683,871**	818,973
CAPITAL AND RESERVES			
Share capital		**6,857,599**	6,857,599
Reserves		**(6,173,728)**	(6,038,626)
TOTAL EQUITY		**683,871**	818,973

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended June 30, 2016 – 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, 2015	6,857,599	13,984	4,104	(5,823,155)	(5,805,067)	1,052,532
Changes in equity for the six months ended June 30, 2015:						
Loss for the period	-	-	-	(121,465)	(121,465)	(121,465)
Other comprehensive income	-	-	10	-	10	10
Total comprehensive income	-	-	10	(121,465)	(121,455)	(121,455)
Balance at June 30, 2015	6,857,599	13,984	4,114	(5,944,620)	(5,926,522)	931,077
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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

1. Basis of preparation and comparative figures

This 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 2015 annual financial statements, except for accounting policy changes that are expected to be reflected in the 2016 annual financial statements.

The HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards that are first effective for the current accounting period of the Group. None of these developments have 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, 2015 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, 2015 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 without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

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, 2016 and 2015:

	Television		Internet and multimedia		Unallocated		Total	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Revenue from external customers	**519,195**	561,860	**168,256**	173,387	**22,425**	24,326	**709,876**	759,573
Inter-segment revenue	**7,068**	7,957	**100**	125	**4,445**	5,012	**11,613**	13,094
Reportable segment revenue	**526,263**	569,817	**168,356**	173,512	**26,870**	29,338	**721,489**	772,667
Reportable segment results ("EBITDA")	**(44,020)**	(27,091)	**71,193**	70,664	**(48,234)**	(55,510)	**(21,061)**	(11,937)
Reportable segment results ("EBIT")	**(112,660)**	(95,586)	**31,977**	27,983	**(49,460)**	(56,757)	**(130,143)**	(124,360)
Inter-segment elimination							**(2,786)**	(2,833)
Loss from operations							**(132,929)**	(127,193)
Interest income							**2**	3
Finance costs, net							**(2,128)**	(1,291)
Non-operating expenses							**(427)**	(727)
Income tax							**700**	7,743
Loss for the period							**(134,782)**	(121,465)

4. Loss before taxation

Loss before taxation is stated after charging:

	Six months ended June 30,	
	2016	2015
	HK$'000	HK$'000
Depreciation		
- assets held for use under operating leases	**14,752**	15,651
- other assets	**94,330**	96,772
	109,082	112,423
Amortisation of programming library*	**52,300**	62,005
Staff costs	**315,379**	318,624
Contributions to defined contribution retirement plans	**17,684**	17,363
Cost of inventories	**3,434**	4,302
Interest expenses on borrowings	**2,128**	1,291
Auditors' remuneration	**1,570**	1,521
Non-operating expenses		
- net loss on disposal of property, plant and equipment	**427**	727

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

5. Income tax

	Six months ended June 30,	
	2016	2015
	HK$'000	HK$'000
Current tax – Overseas	**292**	307
Deferred taxation	**(992)**	(8,050)
	(700)	(7,743)

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate at 16.5% (2015: 16.5%) to the six months ended June 30, 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.

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$135 million (2015: HK$121 million) and the weighted average number of ordinary shares outstanding during the period of 2,011,512,400 (2015: 2,011,512,400).

There were no potential diluted ordinary shares in existence during the periods ended June 30, 2016 and 2015.

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, 2016	53,878	(345,515)	(291,637)
(Credited)/charged to consolidated statement of profit or loss (Note 5)	(1,381)	389	(992)
At June 30, 2016	52,497	(345,126)	(292,629)

	At June 30, 2016 HK$'000	At December 31, 2015 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**(305,915)**	(308,884)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**13,286**	17,247
	(292,629)	(291,637)

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, 2016 HK$'000	At December 31, 2015 HK$'000
0 to 30 days	**13,944**	18,178
31 to 60 days	**5,479**	19,661
61 to 90 days	**8,596**	12,701
Over 90 days	**11,895**	17,556
	39,914	68,096

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, 2016 HK$'000	At December 31, 2015 HK$'000
0 to 30 days	**3,025**	3,476
31 to 60 days	**5,152**	13,874
61 to 90 days	**1,914**	10,773
Over 90 days	**401**	5,015
	10,492	33,138

10. Review of results

The unaudited interim financial report for the six months ended June 30, 2016 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 ("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 period under review.

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

Hong Kong, August 2, 2016

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.