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i-CABLE COMMUNICATIONS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1097)

FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED DECEMBER 31, 2018

RESULTS HIGHLIGHTS

	Year ended December 31,	
	2018	2017
	HK$'000	*HK$'000*
Revenue	**1,163,310**	1,258,430
Loss from operations	**(489,227)**	(443,941)
Loss for the year	**(455,588)**	(362,827)
	HK cents	*HK cents*
Basic loss per share	**(7.3)**	(10.1)
Diluted loss per share	**(7.3)**	(10.1)
	December 31, 2018	December 31, 2017
	HK$'000	*HK$'000*
Total assets	**1,677,595**	2,064,782
Total liabilities	**(954,055)**	(934,935)
Total equity	**723,540**	1,129,847
Gearing ratio (Note 1)	**68.4%**	43.8%

- The financial performance of i-CABLE Communications Limited (the "Company" or "i-CABLE"), its subsidiaries and consolidated structured entities (collectively the "Group") for the year ended December 31, 2018 was affected by the decline of advertising and subscription revenue.

- On the subscription business front, the customer base contracted in the earlier months of 2018 as compared to 2017. Number of subscribers has demonstrated improvement following the introduction of new contents and channels during the year under review.

- The decline of pay television ("Pay TV") advertising revenue was mainly due to the intensifying competition from OTT (over-the-top) platforms and digital media. The decline was offset by the increase in free television advertising revenue as the business started ramping up.

- The programming costs decreased by approximately 8% as compared to 2017 as a result of the revamp of programming contents.

- Television ("TV") segment EBITDA(Note 2) increased from a loss of approximately HK$270 million in 2017 to a loss of approximately HK$302 million in 2018 due to a decrease in revenue and the start-up costs associated with introduction of free TV channel.

- Internet and multimedia segment EBITDA(Note 2) remained at approximately HK$117 million in both 2018 and 2017.

Notes:

1. The gearing ratio measured in terms of the total interest-bearing borrowings divided by total equity.

2. "EBITDA" represents earnings before interest income, finance costs, non-operating income, income tax (expense)/credit, depreciation of property, plant and equipment but after amortisation of programming library and contract acquisition costs.

BUSINESS REVIEW

OPERATING ENVIRONMENT

The Group's financial performance in 2018 was affected by the decline of advertising and subscription revenue. The decline of Pay TV advertising revenue was mainly due to the intensifying competition from OTT platforms and digital media. The decline was offset by the increase in free TV advertising revenue as the business started ramping up. On the subscription business front, the customer base contracted in the earlier months of 2018 as compared to 2017. Number of subscribers has demonstrated improvement following the introduction of new contents and channels during the year under review.

Business

Keen competition in the market has continued to contract the subscription customer base of Pay TV service, however, the subscription average revenue per user was only slightly affected.

Customers ('000)	**December 2018**	December 2017
Television	**800**	850
Broadband	**155**	149
Telephony	**87**	90

FANhub with enhanced content viewing features combined with our mobile app served as a major proposition to facilitate the acquisition and retention of Pay TV subscription customers. Broadcasting equipment was upgraded to improve the video and transmission quality of TV programmes, and the viewing experience was enriched with multi-screen function, allowing our subscribers to watch our content more conveniently.

The Group continues to upgrade our network to provide high speed Gigabit-capable Passive Optical Network ("GPON") services and to enhance the FANhub platform to support our enhanced and interactive services, so that our subscribers are able to enjoy more stable and faster internet access.

Directly impacted by the shift of advertising dollars to digital media and online platforms, airtime sales business of Pay TV underperformed in 2018. The Group is building up the airtime sales business of the local free TV channels. The Group launched its free integrated English TV Channel in July 2018 and rebranded its integrated Cantonese TV Channel by official renaming the Group's Free Television Channel 77 as Hong Kong Open TV in October 2018.

The Group is under-going major changes, including, among other things, (i) cost saving initiative; (ii) introduction of new contents and channels; (iii) new television content co-operation models; and (iv) strategic review on possible restructuring of the Group's business portfolio to achieve cost saving and improve profitability, as well as the financial performance of the Group. As part of a strategic review, the Group is evaluating forming partnership or disposing its loss making operations to reduce the cash drain on the business. Although early discussions are being held, there is no certainty that these may lead to any satisfactory conclusion for any transactions.

Programming

i-CABLE's news has always been well-recognised by the market as evidenced by the high ranking in news and finance channel in the Appreciation Index in past years. This was further demonstrated by the awards winning in various i-CABLE's news programmes over the years.

Amid fierce competition from traditional TV, online media threat and change of audiences' viewing habits, entertainment platform strived to maintain our competitive edge by providing bespoke specialty channels with premium content to our subscribers. Movie channels continue to offer a wide range of movie choices to film buffs including the critically acclaimed Korean movie "A Taxi Driver" (逆權司機) and Best Film of the 37th Hong Kong Film Awards — "Our Time will Come" (明月幾時有). "Movie 2" channel was renamed to "Cable Movie Classics" (有線經典電影台) to bring viewers not only Hong Kong golden classics but also classic movies around the world. Drama channel made a substantial growth in viewership. Korean family dramas continue to attract eye-balls, both "Band of Sisters" (姐姐還活著) and "Return of Fortunate Bok" (回來的福丹芝) ranked the highest viewership entertainment programmes during the period. Our self-productions continue to embrace originality and local flavor. "4-Hour Living Circle" (四小時生活圈) not only exhibited a fresh new format with distinctive prospective, but also delivered a stylish twist to traditional travel programme. The Group's self-produced entertainment programmes focus on local and international entertainment news for the purpose of fostering relationships with different partners in the entertainment industry.

During the year, the Group continued to offer major soccer events such as UEFA Champions League, German Bundesliga, J.League, etc. and broadened the variety of major sports programmes that interest local subscribers. We covered horse racing and a new programme "Be A Big Punter" (我要做大戶) on horse racing channel. The Group also carried other major sports events like "Hong Kong Sevens" (香港國際七人欖球賽), "FIVB Women's Nations League" (世界女排聯賽), "FIVB Men's Nations League" (世界男排聯賽), "FIBA Men's Basketball World Cup 2019 Qualifiers" (FIBA世界盃男子籃球資格賽), "CBA" (中國職業籃球聯賽), "ASEAN Basketball League" (東南亞職業籃球聯賽) and "Thomas & Uber Cup Badminton" (湯姆斯盃及優霸盃羽毛球賽) etc.

In March 2018, the Group had business arrangements with Fox Networks Group Asia Pacific Limited on the provision of programme channels to Pay TV with a variety of programmes including world-class sports, entertainment, lifestyle and news contents. These arrangements serve to perfectly complement i-CABLE's award winning news and creative local production programmes, and provide a range of new genres for our subscribers.

In the same month, i-CABLE was appointed as the Official Host Broadcaster and the Official Partner of the 2018 Cathay Pacific/HSBC Hong Kong Sevens. During the game period, on-site coverage of the tournament from Hong Kong Stadium, and all programming were produced by i-CABLE Sports and all games were available on TV, i-CABLE's website and the i-CABLE mobile app, offering the most comprehensive multiple-platform broadcasting service. i-CABLE also celebrated the 18th Asian Games 2018 Jakarta-Palembang in August 2018 by providing extensive and unprecedented broadcasting coverage of the event in Hong Kong. The programme of Asian Games 2018 on CABLE TV was a cross-platform special broadcast, spanning Pay TV, free TV, the internet and mobile networks. With the broadcast services provided by i-CABLE, people in Hong Kong could be able to keep abreast with the latest news and results of the event and, the most important of all, to support Hong Kong athletes by sharing their joy and disappointment. In September 2018, i-CABLE and beIN Asia Pacific announced their collaboration to offer live coverage of the UEFA Champions League ("UCL") and the UEFA Europa League ("UEL") to our subscribers from 2018/19 to 2020/21 seasons. We were excited to join forces with beIN Asia Pacific again to further enrich our football coverage. UCL, UEL and UEFA Nations League are definitely the world's greatest football competitions and i-CABLE is pleased to bring the world's best sports actions to our viewers.

Recently, the Group enriched the content by adding new channels relating to sports, entertainment, lifestyle and news to the Pay TV platform, which serves to perfectly complement i-CABLE's award winning news and creative local production programmes, and provide a range of new genres for our subscribers.

MANAGEMENT DISCUSSION AND ANALYSIS

(A) Review of 2018 Results

Revenue of the Group for the year ended December 31, 2018 decreased by approximately HK$95 million or 8% to approximately HK$1,163 million (2017: HK$1,258 million).

Operating costs of the Group for the year ended December 31, 2018, including selling, general and administrative and other operating expenses, cost of sales, network expenses and programming costs, decreased by approximately HK$50 million to approximately HK$1,652 million (2017: HK$1,702 million). Selling, general and administrative and other operating expenses of the Group increased by approximately 12%, cost of sales of the Group increased by approximately 10%, while network expenses of the Group decreased by approximately 7% and programming costs of the Group decreased by approximately 8%.

Loss from operations of the Group for the year ended December 31, 2018 was approximately HK$489 million, representing an increase of approximately 10%, as compared with the operating loss of approximately HK$444 million for the corresponding period in 2017.

During the year ended December 31, 2018, the Group recorded a gain on the disposal of a subsidiary, which was a property holding company of approximately HK$32 million (2017: HK$72 million). Gain on disposal of real properties for the year ended December 31, 2018 was approximately HK$11 million (2017: HK$11 million).

After the recognition of interest income, finance costs, non-operating income and income tax, the Group recorded a net loss of approximately HK$456 million for the year ended December 31, 2018 (2017: HK$363 million). Basic and diluted loss per share for the year ended December 31, 2018 was approximately HK7.3 cents (2017: HK10.1 cents).

(B) Segmental Information

The principal activities of the Group include Television, and Internet and Multimedia operations.

Television

The television segment includes operations related to the television subscription business, domestic free television programme service, advertising, channel carriage, television relay service, programme licensing, network maintenance, and other related businesses.

Revenue derived from the television segment for the year ended December 31, 2018 decreased by approximately 10% to approximately HK$813 million (2017: HK$905 million) on lower subscription and advertising revenue.

Operating costs before depreciation incurred by the television segment for the year ended December 31, 2018 decreased by approximately 5% to approximately HK$1,115 million (2017: HK$1,175 million). EBITDA for the year ended December 31, 2018 was a loss of approximately HK$302 million (2017: a loss of approximately HK$270 million) due to a decrease in revenue and the start-up costs associated with introduction of free TV channel.

Internet and Multimedia

The internet and multimedia segment includes operations related to broadband internet access services, portal operation, mobile content licensing, telephony services as well as other internet access related businesses.

Revenue derived from the internet and multimedia segment for the year ended December 31, 2018 slightly decreased by approximately HK$1 million to approximately HK$320 million (2017: HK$321 million).

Operating costs before depreciation incurred by the internet and multimedia segment for the year ended December 31, 2018 decreased by approximately HK$1 million to approximately HK$203 million (2017: HK$204 million). EBITDA remained at approximately HK$117 million for both the years ended December 31, 2018 and 2017.

(C) Liquidity, Financial Resources and Capital Structure

As at December 31, 2018, the Group had cash and bank balances and restricted bank balances of approximately HK$178 million and HK$18 million respectively as compared to approximately HK$568 million and HK$17 million respectively as at December 31, 2017. The cash and bank balances and restricted bank balances of the Group as at December 31, 2018 and 2017 are mainly denominated in Hong Kong Dollar ("HK$"). The gearing ratio, measured in terms of the total interest-bearing borrowings divided by total equity, was approximately 68.4% (2017: 43.8%). The capital structure of the Group was approximately 41% debt and approximately 59% equity as at December 31, 2018, representing an increase of approximately 11% and a decrease of approximately 11% respectively as compared with approximately 30% debt and approximately 70% equity as at December 31, 2017.

Consolidated net asset value of the Group as at December 31, 2018 was approximately HK$724 million, representing a decrease of approximately 36%, as compared with consolidated net asset value of the Group as at December 31, 2017 of approximately HK$1,130 million.

The carrying amount of interest-bearing borrowings denominated in HK$ as at December 31, 2018 was HK$495 million (2017: HK$495 million), which carries interest at variable rates, of which HK$395 million was repayable on demand and HK$100 million would become due on December 31, 2019. The committed borrowing facilities available to the Group but not drawn as at December 31, 2018 amounted to HK$5 million (2017: HK$11 million).

In September 2017, the Company completed the open offer (the "Open Offer") of 3,352,520,666 shares of the Company (the "Shares") at the offer price of HK$0.21 per Share for net proceeds of approximately HK$687 million and completed the conversion of the loan capitalisation amount of HK$300 million to 841,987,090 Shares in accordance with the loan capitalisation agreement among the Company, a subsidiary of the Company and Wharf Finance Limited.

The following table sets forth the information in relation to the use of the net proceeds from the Open Offer:

Unutilised amount of net proceeds from the Open Offer as at December 31, 2017 and intended use of such unutilised net proceeds	**Actual use of net proceeds from the Open Offer during the year ended December 31, 2018**	**The amount of the unutilised proceeds from the Open Offer which has been reallocated as operating funds**	**Intended use of unutilised net proceeds from the Open Offer and expected timeline**
Approximately HK$523 million comprising:	Approximately HK$504 million comprising:	Not applicable	Approximately HK$19 million (being unutilised net proceeds of approximately HK$523 million less use of net proceeds during the year ended December 31, 2018 of approximately HK$504 million) comprising:
(i) approximately HK$146 million for investments in network related capital expenditure;	(i) approximately HK$96 million for investments in network related capital expenditure;	(i) approximately HK$44 million;	(i) approximately HK$6 million* for investments in network related capital expenditure within 3 years from the completion of the Open Offer;
(ii) approximately HK$143 million for investments in television related capital expenditure;	(ii) approximately HK$41 million for investments in television related capital expenditure;	(ii) approximately HK$94 million;	(ii) approximately HK$8 million* for investments in television related capital expenditure within 3 years from the completion of the Open Offer;
(iii) approximately HK$75 million for investments in other capital expenditure; and	(iii) approximately HK$65 million for investments in other capital expenditure; and	(iii) approximately HK$10 million; and	(iii) nil; and
(iv) approximately HK$159 million for funding required for operating requirements of the Group	(iv) approximately HK$302 million for funding required for operating requirements of the Group	(iv) not applicable. An aggregate of approximately HK$148 million was reallocated from the above intended uses	(iv) approximately HK$5 million for funding required for operating requirements of the Group within 2 years from the completion of the Open Offer

* *Amount of the unutilised proceeds from the Open Offer which will be used as originally intended.*

The Group's assets and liabilities are mainly denominated in HK$ and United States Dollars ("US$") and it earns its revenue and incurs costs and expenses mainly in HK$ and US$. As HK$ is pegged to US$, the Group does not expect any significant foreign currency exposure arising from the fluctuation of the US$/HK$ or HK$/US$ exchange rates.

Capital expenditure on property, plant and equipment during the year ended December 31, 2018 amounted to approximately HK$179 million (2017: HK$208 million) and the additions to programming library during the year ended December 31, 2018 was approximately HK$86 million (2017: HK$115 million).

The Group financed its operations generally with internally generated cash flows, the available credit facilities and the proceeds from the Open Offer.

(D) Contingent Liabilities

As at December 31, 2018, the Group did not have any contingent liabilities.

(E) Guarantees

As at December 31, 2018, there were contingent liabilities in respect of guarantees and indemnities provided by the Company to a bank and Wharf Finance Limited totally of HK$500 million (2017: HK$500 million) in respect of guarantee facilities of borrowings up to HK$500 million (2017: HK$500 million) to a wholly-owned subsidiary of the Company, of which HK$495 million (2017: HK$495 million) was utilised by the subsidiary of the Company.

As at December 31, 2018, the Group has made arrangements with a bank to provide two separate performance bonds to the counterparties amounting to approximately HK$42 million, of which approximately HK$12 million was secured by bank deposits. The performance bonds are to guarantee in favour of the counterparties the Group's performance in fulfilling the obligations under a contract and the capital and programming expenditure requirement for providing the domestic free television programme service under the domestic free television programme service licence.

(F) Human Resources

The Group had 1,700 employees as at December 31, 2018 (2017: 1,876). Total gross salaries and related costs before capitalisation and incurred for the year ended December 31, 2018 amounted to approximately HK$603 million (2017: HK$651 million). The remuneration of the directors of the Company (the "Directors") and the employees of the Group are determined with reference to their qualifications, experience, duties and responsibilities with the Group, as well as the Group's performance and the prevailing market conditions. Besides, the Group regularly provides training courses for the employees of the Group to meet their needs. Under the share option scheme of the Company adopted on May 24, 2018, share options of the Company may be granted to the Directors and eligible employees of the Group to subscribe for Shares.

(G) Operating Environment

The Group's financial performance in 2018 was affected by the decline of advertising and subscription revenue. The decline of the advertising revenue was mainly due to the competition from free television, digital and OTT platforms. On the subscription business front, the customer base contracted as compared to 2017.

(H) Charge on Group Assets

As at December 31, 2018, security deposits of approximately HK$18 million (2017: HK$17 million) were made by the Group to secure certain banking facilities granted to the Group.

(I) Material Acquisitions and Disposals and Significant Investments

There was no material acquisition or disposal of subsidiary and associated company or significant investments of the Group, which would have been required to be disclosed under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), for the year ended December 31, 2018.

(J) Future Plans for Material Investments or Capital Assets

The Group will continue to invest in property, plant and equipment and programming library as required by its business operations, and explore the market and identify any business opportunities which may provide its growth and development potential, enhance the profitability, and strive for better return to the shareholders of the Company (the "Shareholders").

The Group's ongoing capital expenditure will be funded by internal cash flows generated from operations, the available credit facilities, the proceeds from the Open Offer and the proposed rights issue (the "Rights Issue") and unlisted long-term convertible securities (the "LCS") as disclosed in the announcement of the Company dated January 25, 2019.

(K) Outlook

The television segment of the Group is experiencing intense competition in a crowded marketplace with a super dominant operator and changing user behaviour. The proliferation and abundance of a wide range of online contents available on new media platforms and various mobile devices, allowing users to select and view anytime and anywhere, also present competition with the Group's subscription contents. At the same time, the increasingly keen competition for contents has raised acquisition costs, and the entire internet and multimedia segment has to cope with fast technology changes and customers demand for better quality and higher-speed internet service.

Since Forever Top (Asia) Limited became the controlling shareholder ("Forever Top" or the "Controlling Shareholder") in 2017 as a result of being the underwriter of the Open Offer of the Company, the Company has been focusing on formulating an organisational restructuring which included, among other things, (i) cost saving initiative; (ii) introduction of new contents and channels; (iii) new television content co-operation models; and (iv) strategic review on possible restructuring of the Group's business portfolio to achieve cost saving and improve profitability, as well as the financial performance of the Group. As part of a strategic review, the Group is evaluating forming partnership or disposing its loss making operations to reduce the cash drain on the business. Although early discussions are being held, there is no certainty that these may lead to any satisfactory conclusion for any transactions.

In addition, free TV launched its integrated Cantonese channel under the domestic free television programme service licence in May 2017. The Group has expanded its operation to include an English news desk and Putonghua finance desk, to support the newly established Hong Kong International Business Channel, a 24-hour English free television channel in Hong Kong, which was officially launched on July 30, 2018 on Channel 76 and focuses on providing financial news and information with programmes in both English and Putonghua. The Directors expect the above measures could enhance the overall competitiveness of the Group.

The Group will continue to exercise prudence to invest in programming library, contents enrichment, HD (high definition) and/or OTT upgrades, customer service improvement, higher speed broadband service upgrades, as well as marketing and media initiatives to sharpen the competitiveness of the Group.

(L) Events after the Reporting Period

Save as disclosed below, the Group does not have any important events affecting the Group's financial performance and/or financial position significantly that have occurred since the end of the financial year December 31, 2018.

On January 25, 2019, Forever Top as lender and the Company as borrower entered into the loan agreement (the "Loan Agreement") pursuant to which Forever Top agreed to grant the loan facility (the "Loan Facility") of an amount up to HK$200 million made available to the Company at the interest rate of the Hong Kong Interbank Offered Rate for interest period of three months per annum, unsecured and repayable at the earlier of (a) 18-months from the date of the Loan Agreement; and (b) five business days following completion of last fund raising activity of the Company (including issuance of equity or debt or convertible securities) from the date of the Loan Agreement with an aggregate amount of gross proceeds received by the Company from all fund raising activities completed after the date of the Loan Agreement being not less than HK$600 million. The Loan Facility will be used by the Company for its general working capital requirements.

In addition to the above Loan Facility granted to the Company, on January 25, 2019 the Company announced a revised fund raising proposal, comprising the Rights Issue and the subscription (the "Subscription") of the LCS as detailed in the announcement of the Company dated January 25, 2019. According to the revised fund raising proposal, the Company will raise a maximum gross proceeds of approximately HK$660 million, as this is the amount the board of Directors (the "Board") considers necessary to achieve financial stability, maintain customer confidence and fulfil the Group's licensing requirements. Moreover, while the Loan Facility has been granted to the Group, it is only for general working capital requirements and on a short-term basis, and the Board is of the view that the Rights Issue and the Subscription are necessary to recapitalise the business to allow sufficient time for the restructuring initiatives to be implemented.

(M) Compliance with Relevant Laws and Regulations

During the year ended December 31, 2018, there was no incidence of non-compliance with the relevant laws and regulations of the place in which the Group operates that has a significant impact on the business operations of the Group.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2018

	Note	2018 HK$'000	2017 HK$'000
Revenue	6,7	**1,163,310**	1,258,430
Cost of services			
— Programming costs		**(868,610)**	(939,579)
— Network expenses		**(334,679)**	(361,481)
— Cost of sales		**(86,941)**	(79,014)
Selling, general and administrative and other operating expenses		**(362,307)**	(322,297)
Loss from operations		**(489,227)**	(443,941)
Interest income		**2,327**	776
Finance costs		**(10,238)**	(9,315)
Non-operating income		**42,373**	86,268
Loss before taxation	8	**(454,765)**	(366,212)
Income tax (expense)/credit	9	**(823)**	3,385
Loss for the year		**(455,588)**	(362,827)
Attributable to:			
Equity shareholders of the Company		**(455,588)**	(362,827)
Loss per share	10		
Basic		**(7.3) HK cents**	(10.1) HK cents
Diluted		**(7.3) HK cents**	(10.1) HK cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2018

	2018	2017
	HK$'000	*HK$'000*
Loss for the year	**(455,588)**	(362,827)
Other comprehensive income for the year		
Item that may be reclassified subsequently to profit or loss:		
Currency translation difference	**(660)**	403
Total comprehensive income for the year	**(456,248)**	(362,424)
Attributable to:		
Equity shareholders of the Company	**(456,248)**	(362,424)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2018

	Note	2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**858,917**	888,775
Programming library		**115,502**	151,577
Other intangible assets		**1,218**	1,218
Contract acquisition costs		**15,344**	–
Interest in an associate		**–**	–
Deferred tax assets		**300,525**	303,472
Deposits, prepayments and other receivables		**43,472**	39,006
		1,334,978	1,384,048
Current assets			
Inventories		**10,130**	13,981
Trade receivables	*11*	**58,404**	43,822
Deposits, prepayments and other receivables		**54,233**	38,187
Contract acquisition costs		**23,715**	–
Restricted bank balances		**18,320**	16,710
Cash and bank balances		**177,815**	568,034
		342,617	680,734
Total assets		**1,677,595**	2,064,782
EQUITY			
Capital and reserves			
Share capital	*13*	**7,844,472**	7,844,472
Reserves		**(7,120,932)**	(6,714,625)
Total equity		**723,540**	1,129,847
LIABILITIES			
Non-current liabilities			
Interest-bearing borrowings		**–**	100,000
Deferred tax liabilities		**–**	2,447
Accrued expenses and other payables		**21,068**	21,068
Receipts in advance and customers' deposits		**288**	919
		21,356	124,434

	Note	**2018**	2017
		HK$'000	*HK$'000*
Current liabilities			
Trade payables	*12*	**49,567**	17,150
Accrued expenses and other payables		**248,390**	235,771
Receipts in advance and customers' deposits		**139,670**	162,494
Interest-bearing borrowings		**495,000**	395,000
Current tax liabilities		**72**	86
		932,699	810,501
Total liabilities		**954,055**	934,935
Total equity and liabilities		**1,677,595**	2,064,782

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

i-CABLE Communications Limited (the "Company") is a limited liability company incorporated in Hong Kong. The address of its registered office in Hong Kong is 8th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, Hong Kong.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

The Company, its subsidiaries and consolidated structured entities (together the "Group") are engaged in television subscription business, domestic free television programme services, advertising, channel carriage, television relay service, programme licensing, network maintenance, other television related businesses, broadband internet access services, portal operation, mobile content licensing, and telephony services as well as other internet access related businesses.

The consolidated financial statements for the year ended December 31, 2018 (the "Financial Statements") are presented in thousands of Hong Kong dollars (*HK$'000*), unless otherwise stated. The Financial Statements have been approved for issue by the board of directors (the "Directors") of the Company on March 29, 2019.

The financial information relating to the years ended December 31, 2018 and 2017 that is included in this final results announcement does not constitute the Company's statutory annual consolidated financial statements for that year 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 Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the consolidated financial statements of the Group for the year ended December 31, 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622) and will deliver the consolidated financial statements of the Group for the year ended December 31, 2018 in due course.

The Company's auditor has reported on the consolidated 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 report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 below.

During the year ended December 31, 2018, the Group incurred a net loss of HK$456 million (2017: HK$363 million), net operating cash outflows of HK$184 million (2017: HK$207 million) and, as of that date, the Group's net current liabilities exceeded its current assets by HK$590 million (2017: HK$130 million). Included in its current liabilities was an interest-bearing borrowing of HK$395 million drawn from a banking facility of HK$400 million which is immediately repayable on demand and subject to review at least annually, and an interest-bearing borrowing of HK$100 million drawn from a loan facility granted by Wharf Finance Limited ("Wharf Finance") which is due for repayment on December 31, 2019. In addition, the Group would require additional funding to improve its capital base, capital expenditures of its network and equipment and acquisition of programming library and working capital requirements in the foreseeable future.

In view of the above, the Directors have given careful consideration of the liquidity requirement for the Group's operations, the performance of the Group and available sources of financing in assessing whether the Group has sufficient financial resources to continue as a going concern. The Directors have reviewed the Group's cash flow projections prepared by management which covers a period of not less than twelve months from December 31, 2018. The Directors have taken into account the following plans and measures in assessing the sufficiency of working capital requirements in the foreseeable future:

(1) The Company's proposal to raise funds of approximately HK$660 million via a rights issue as set out in the Company's circular dated December 20, 2018 was voted down by the independent shareholders of the Company on January 9, 2019. As set out in the Company's announcement dated January 25, 2019, the Company proposed a revised "2019 Proposal" to its shareholders to raise funds in the form of a rights issue ("Rights Issue") and issue of unlisted long-term convertible securities ("LCS"). The 2019 Proposal requires the approval from independent shareholders of the Company in an upcoming general meeting.

    The 2019 Proposal comprises the following:

    (i) To raise funds of approximately HK$465.5 million (assuming no new Shares are issued and no repurchase of Shares on or before the record date for determining entitlement under the Rights Issue) before expenses by way of the Rights Issue. Forever Top (Asia) Limited, a company holding 43.2% of the Company's shareholding ("Forever Top"), has undertaken to the Company that it will take up its share of the Rights Issue in such number of rights shares that its percentage shareholding in the Company will remain the same immediately before and after the completion of the Rights Issue.

    (ii) On January 25, 2019, the Company and Forever Top further entered into a conditional LCS subscription agreement (the "LCS Subscription Agreement") whereby Forever Top agreed to subscribe for the 10-year LCS subject to the approval of the independent shareholders of the Company. The subscription of the LCS by the Forever Top would be between a minimum of approximately HK$195 million and a maximum of HK$660 million, depending on the number of shares finally issued under the Rights Issue (assuming that there is no exercise of outstanding share options before the record date for determining entitlements under the Rights Issue).

(2) A loan facility of HK$200 million has been provided by Forever Top on January 25, 2019 to the Group for its working capital requirements. The loan facility is repayable at the earlier of 18 months from the date of the loan agreement and five business days following completion of last fund raising activities after the date of the loan agreement, with an aggregate amount of gross proceeds received from all fund raising activities being not less than HK$600 million (including issuance of equity, debts or convertible securities).

(3) The review of its existing revolving bank loan facility of HK$400 million has recently been completed by the bank in mid-March 2019 on the same terms which include the bank's overriding right to demand repayment.

(4) Management has been formulating an organisational restructuring which includes cost saving initiatives, introduction of new contents, cooperation model with other partners and strategic review of its business portfolio.

(5) Forever Top has also confirmed its intention to provide further financial support, as and when is necessary, to the Group for a period of not less than twelve months from December 31, 2018.

As a result of these plans and measures, the Directors are confident that the Group will have sufficient working capital to fund its operations, financing and capital expenditure requirements and remain as a going concern at least in the next twelve months from December 31, 2018.

Notwithstanding the above, whether management is able to achieve its plans and measures as described above, which incorporate assumptions about future events and conditions, are subject to inherent uncertainties. In particular, whether the Group will be able to continue as a going concern would depend upon, among other things, (i) the successful and timely completion of fund raising from the Rights Issue and/or the issuance of the LCS; (ii) the availability of the bank loan facility for the next twelve months; (iii) the successful implementation of its organisational restructuring plan and (iv) the financial support from Forever Top as mentioned above, as and when necessary.

The Directors have, after due consideration of the basis of the plans and measures as described above as well as the reasonable possible downside changes to the cash flow assumptions, are confident that the Group will have sufficient working capital to meet its financial obligations as and when they fall due at least in the next twelve months from December 31, 2018. Accordingly, the Directors considered it appropriate to prepare the consolidated financial statements of the Group on a going concern basis.

(a) New standard, amendments to standards and interpretation effective in the current accounting period and are relevant to the Group's operations

During the year ended December 31, 2018, the Group has adopted the following new standard, amendments to standards and interpretation which are relevant to the Group's operations and are mandatory for accounting periods beginning on January 1, 2018:

HKFRS 15	Revenue from Contracts with Customers
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 15 (Amendments)	Clarifications to HKFRS 15
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration
Annual Improvement Project	Annual Improvements 2014–2016 Cycle

The adoption of these new standard, amendments to standards and interpretation does not have any significant change to the accounting policies or any significant effect on the results and financial position of the Group, except as described in Note 3 below.

(b) New standards, amendments to standards and interpretations that are not yet effective and have not been early adopted by the Group

The following new standards, amendments to standards and interpretations have been published which are mandatory for the Group's accounting periods beginning on or after January 1, 2019 but have not been early adopted by the Group:

HKFRS 16	Leases (1)
HKFRS 17	Insurance Contracts (4)
HKFRS 3 (Amendments)	Business Combinations (2)
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation and Modification of Financial Liabilities (1)
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (5)
HKAS 1 and HKAS 8 (Amendments)	Amendments to Definition of Material (3)
HKAS 19 (Amendments)	Employee Benefits (1)
HKAS 28 (Amendments)	Investments in Associates and Joint Ventures (1)
HK (IFRIC) 23	Uncertainty over Income Tax Treatments (1)
Annual Improvements Project	Annual Improvements 2015–2017 Cycle (1)
Conceptual Framework for Financial Report 2018	Revised Conceptual Framework for Financial Reporting (3)

(1) Effective for annual periods beginning on or after January 1, 2019
(2) Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after January 1, 2020
(3) Effective for annual periods beginning on or after January 1, 2020
(4) Effective for annual periods beginning on or after January 1, 2021
(5) Effective date is to be determined

The Group has already commenced an assessment of the likely impact of adopting the above new standards, amendments to standards and interpretations, in which the preliminary assessment of HKFRS 16 is detailed below.

HKFRS 16 'Leases'

Currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for property, plant and equipment which are currently classified as operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$46,323,000. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated statement of profit or loss over the period of the lease.

The Group will apply the standard from its mandatory adoption date of January 1, 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group.

3. CHANGE IN ACCOUNTING POLICY

The Group has adopted HKFRS 15 "Revenue from Contracts with Customers" from January 1, 2018. In accordance with the transition provisions in HKFRS 15, the Group has adopted the new standard using modified retrospective method with the cumulative effect of initial application recognised as an adjustment to the opening balance of accumulated losses on January 1, 2018, the comparative figures have not been restated.

The accounting policies were changed to comply with HKFRS 15, which replaced the provision of HKAS 18 "Revenue" and the related interpretations for the recognition, classification and measurement of revenue and costs.

In summary, the following adjustments were made to the amounts recognised in the consolidated statement of financial position as the date of initial application (January 1, 2018):

	December 31, 2017 As previously reported	**Effect of adoption of HKFRS 15**	**January 1, 2018 Restated**
	HK$'000	*HK$'000*	*HK$'000*
Contract acquisition costs	–	33,903	33,903
Accumulated losses	(6,731,871)	33,903	(6,697,968)

Accounting for costs incurred to obtain a contract

As at January 1, 2018, for uncompleted contracts with customers, the related commission paid for acquiring the contracts amounted to HK$33,903,000. In previous years, commission costs were expensed as incurred. However, in the current year, costs related directly to the contracts were capitalised as costs to obtain a contract following the adoption of HKFRS 15 as they are expected to be recovered and included in contract acquisition costs in the consolidated statement of financial position on January 1, 2018, resulting in net adjustment to accumulated losses of the same amount. The asset is amortised on a straight line basis over the term of the specific contract it relates to, consistent with the pattern of recognition of the associated revenue. During the year ended December 31, 2018, the Group recognised amortisation of HK$19,755,000, which increased cost of providing services and increased loss after taxation by the same amount, and capitalised commission of HK$24,911,000.

Financial statement line items which are affected in the current reporting period by application of HKFRS 15 are as follows:

	Year ended December 31, 2018		
	Without the adoption of HKFRS 15	**Effect of adoption of HKFRS 15**	**As reported**
	HK$'000	*HK$'000*	*HK$'000*
Selling, general and administrative and other operating expenses	367,463	(5,156)	362,307

	As at December 31, 2018		
	Without the adoption of HKFRS 15	**Effect of adoption of HKFRS 15**	**As reported**
	HK$'000	*HK$'000*	*HK$'000*
Contract acquisition costs	–	39,059	39,059
Accumulated losses	(7,192,615)	39,059	(7,153,556)

Presentation of contract liabilities

Reclassifications were made as at January 1, 2018 to be consistent with the terminologies used under HKFRS 15:

- Contract liabilities in relation to advance payments from customers were previously presented as receipts in advance

As at January 1, 2018 and December 31, 2018, receipts in advance amounting to HK$115,318,000 and HK$90,470,000 respectively represented contract liabilities in relation to advance payments made by the customers while the underlying services are yet to be provided under HKFRS 15.

4. ESTIMATES AND JUDGEMENTS

The preparation of Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

6. REVENUE

Revenue comprises principally subscription, service and related fees for television, and internet and multimedia (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.

Contract liabilities of HK$90,215,000 as at December 31, 2018, will be recognised as revenue in the next reporting period. Revenue recognised during the year ended December 31, 2018 that was included in the contract liabilities balance at the beginning of the period amounted to HK$115,000,000.

7. SEGMENT INFORMATION

The Group managed its businesses according to the nature of services provided. The Group's chief operating decision maker (the "CODM"), which comprises executive Director and senior management of the Company, 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 television subscription business, domestic free television programme service, advertising, channel carriage, television relay service, programme licensing, network maintenance, and other related businesses.

The internet and multimedia segment includes operations related to broadband internet access services, portal operation, mobile content licensing, telephony services as well as other related businesses.

The CODM evaluates performance primarily based on earnings before interest, taxation, depreciation and amortisation ("EBITDA") and segment results before corporate expenses. The CODM defines EBITDA to mean earnings before interest income, finance costs, non-operating income, income tax (expense)/credit, depreciation of property, plant and equipment but after amortisation of programming library and contract acquisition costs.

Inter-segment pricing is generally determined at arm's length basis.

Segment assets principally comprise all tangible assets with the exception of interest in an associate, deferred tax assets and assets managed at the corporate office. Segment liabilities include all liabilities and interest-bearing borrowings directly attributable to and managed by each segment with the exception of current tax liabilities, deferred tax liabilities and liabilities at corporate office.

In addition to receiving segment information concerning EBITDA and segment results before corporate expenses, the CODM is provided with segment information concerning revenue (including inter-segment revenue).

Information regarding the Group's reportable segments as provided to the CODM for the purposes of resource allocation and assessment of segment performance for the years ended December 31, 2018 and 2017 is set out below:

	Year ended December 31,							
	Television		**Internet and multimedia**		**Others**		**Total**	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment revenue	**821,528**	913,784	**320,686**	321,294	**32,655**	41,769	**1,174,869**	1,276,847
Less: Inter-segment revenue	**(8,302)**	(8,627)	**(208)**	(208)	**(3,049)**	(9,582)	**(11,559)**	(18,417)
Revenue from external customers	**813,226**	905,157	**320,478**	321,086	**29,606**	32,187	**1,163,310**	1,258,430
Revenue from contracts with customers:								
Timing of revenue recognition								
At a point in time	**2,085**		**–**		**10,541**		**12,626**	
Over time	**771,376**		**320,478**		**18,356**		**1,110,210**	
Revenue from other sources:								
Rental income	**39,765**		**–**		**709**		**40,474**	
	813,226		**320,478**		**29,606**		**1,163,310**	
Reportable segment EBITDA	**(301,779)**	(269,564)	**116,978**	116,837	**7,783**	4,556	**(177,018)**	(148,171)
Depreciation	**(119,814)**	(128,209)	**(72,380)**	(73,863)	**(357)**	(393)	**(192,551)**	(202,465)
Reportable segment results before corporate expenses	**(421,593)**	(397,773)	**44,598**	42,974	**7,426**	4,163	**(369,569)**	(350,636)
Corporate expenses and depreciation							**(119,658)**	(93,305)
Loss from operations							**(489,227)**	(443,941)
Interest income							**2,327**	776
Finance costs							**(10,238)**	(9,315)
Non-operating income							**42,373**	86,268
Income tax (expense)/credit							**(823)**	3,385
Loss for the year							**(455,588)**	(362,827)

	December 31, 2018 *HK$'000*	December 31, 2017 *HK$'000*
Segment assets		
Television	**874,948**	1,192,638
Internet and multimedia	**419,328**	485,979
Others	**16,042**	27,814
	1,310,318	1,706,431
Corporate assets	**66,752**	54,879
Interest in an associate	**–**	–
Deferred tax assets	**300,525**	303,472
Total assets	**1,677,595**	2,064,782
Segment liabilities		
Television	**623,045**	628,941
Internet and multimedia	**250,883**	232,429
Others	**23,612**	23,254
	897,540	884,624
Corporate liabilities	**56,443**	47,778
Current tax liabilities	**72**	86
Deferred tax liabilities	**–**	2,447
Total liabilities	**954,055**	934,935

Geographical segment:

No geographical segment information is shown as, during the year presented, less than 10% of the Group's segment revenue, segment results, segment assets and segment liabilities are derived from activities conducted outside Hong Kong.

8. LOSS BEFORE TAXATION

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

	2018 *HK$'000*	2017 *HK$'000*
Interest income		
Interest income from deposits with banks	**(2,327)**	(776)
Finance costs		
Interest expenses on borrowings	**10,238**	9,315
Staff costs, including Directors' emoluments		
Salaries, wages and other benefits	**540,394**	584,007
Share-based payment	**15,636**	–
Contributions to defined contribution retirement plans	**32,549**	34,230

	2018	2017
	HK$'000	*HK$'000*
Other items		
Depreciation		
— assets held for use under operating leases	**24,011**	26,341
— other assets	**171,626**	178,337
Amortisation of programming library*	**121,661**	128,647
Amortisation of contract acquisition cost	**19,755**	–
Impairment losses		
— property, plant and equipment	**–**	387
— programming library	**–**	3,691
Loss allowance on trade and other receivables	**7,889**	6,533
Reversal of loss allowance on trade and other receivables	**(2,026)**	(213)
Carrying amount of inventories consumed and sold	**12,470**	7,100
(Reversal)/write down of inventories	**(866)**	2,960
Rental expenses under operating leases in respect of land and buildings	**51,681**	55,582
Auditor's remuneration		
— audit services	**2,280**	2,410
— non-audit services	**912**	482
Net foreign exchange loss	**1,586**	378
Rental income under operating leases in respect of		
— subleased land and buildings	**(709)**	(1,756)
— owned plant and machinery	**(39,765)**	(41,825)
Non-operating income		
— gain on disposal of subsidiaries	**(31,634)**	(71,508)
— net gain on disposal of property, plant and equipment	**(10,739)**	(14,760)

* Amortisation of programming library is included within programming costs in the consolidated statement of profit or loss of the Group.

9. INCOME TAX (EXPENSE)/CREDIT

Hong Kong and The People's Republic of China ("PRC") profits tax has been provided at the rate of 16.5% (2017: 16.5%) and at the rates of taxation prevailing in the jurisdictions in which the Group operates respectively.

	2018	2017
	HK$'000	*HK$'000*
Current income tax — PRC		
Provision for the year	**323**	383
	323	383
Deferred income taxation		
Utilisation of prior years' tax losses recognised	**1,306**	3,909
Benefit of previously unrecognised tax losses now recognised	**(2,493)**	(8,607)
Origination and reversal of temporary differences	**1,687**	930
	500	(3,768)
Income tax expense/(credit)	**823**	(3,385)

10. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of approximately HK$455,588,000 (2017: HK$362,827,000) and the weighted average number of 6,206,020,156 ordinary shares of the Company (the "Shares") (2017: 3,585,393,489) in issue during the year.

Weighted average number of the Shares

	2018	2017
Issued shares at January 1	**6,206,020,156**	2,011,512,400
Effect of Open Offer	**–**	1,324,793,242
Effect of Loan Capitalisation	**–**	249,087,847
Weighted average number of the Shares at December 31	**6,206,020,156**	3,585,393,489

The diluted loss per Share equals to the basic loss per Share since the exercise of the outstanding share options would not have a dilutive effect on the loss per Share.

11. TRADE RECEIVABLES

An ageing analysis of trade receivables from trade debtors (net of loss allowance), based on the invoice date is set out as follows:

	2018	2017
	HK$'000	*HK$'000*
0 to 30 days	**18,799**	14,673
31 to 60 days	**15,239**	11,352
61 to 90 days	**11,958**	7,606
Over 90 days	**12,408**	10,191
	58,404	43,822

The Group has a defined credit policy. The general credit terms allowed range from 0 to 15 days in respect of television subscription, and internet and multimedia services and from 0 to 30 days in respect of advertising services.

12. TRADE PAYABLES

An ageing analysis of trade payables, based on the invoice date is set out as follows:

	2018	2017
	HK$'000	*HK$'000*
0 to 30 days	**10,468**	9,594
31 to 60 days	**22,028**	3,827
61 to 90 days	**6,221**	848
Over 90 days	**10,850**	2,881
	49,567	17,150

13. SHARE CAPITAL

	2018 Number of shares	**2018** HK$'000	2017 Number of shares	2017 HK$'000
Ordinary shares, issued and fully paid:				
At January 1	**6,206,020,156**	**7,844,472**	2,011,512,400	6,857,599
Shares issued under Open Offer	**–**	**–**	3,352,520,666	704,029
Shares issued under Loan Capitalisation	**–**	**–**	841,987,090	300,000
Transaction costs incurred in respect of Open Offer	**–**	**–**	–	(17,156)
At December 31	**6,206,020,156**	**7,844,472**	6,206,020,156	7,844,472

(i) Share option scheme

A share option scheme was adopted by the Company on May 24, 2018 which will be valid and effective for a period of ten years from the date of adoption.

On June 15, 2018, share options carrying the rights to subscribe for a total of 279,200,000 Shares were granted to certain eligible persons under the share option scheme at an exercise price of HK$0.21 per Share.

The fair value of the share options granted at the date of grant, June 15, 2018, was estimated at approximately HK$20,771,000. The fair value is determined by Binomial model using inputs, including share price of HK$0.15 per Share, exercise price of HK$0.21 per Share, volatility of 66%, risk-free rate of 2.25% and dividend yield of 0%. During the period from the date of grant to December 31, 2018, no share options was exercised, lapsed or cancelled.

(ii) Open offer and loan capitalisation

In September 2017, the Company completed an open offer (the "Open Offer") of 3,352,520,666 Shares on the basis of five offer shares for every three then existing shares at the offer price of HK$0.21 per offer share, for gross proceeds of HK$704,029,000 (net proceeds of HK$686,873,000) and completed the conversion of the loan capitalisation amount (the "Loan Capitalisation") of HK$300,000,000 to 841,987,090 Shares.

14. DIVIDEND

The board of Directors does not recommend the payment of any dividend for the year ended December 31, 2018 (2017: HK$Nil).

15. CAPITAL COMMITMENTS

Capital commitments outstanding as at December 31, 2018 were as follows:

	2018 *HK$'000*	2017 *HK$'000*
Property, plant and equipment		
— Contracted but not provided for	**6,012**	15,504
Programming library		
— Contracted but not provided for	**18,915**	34,703
	24,927	50,207

16. GUARANTEES

Guarantees and indemnities have been provided by the Company to a bank and Wharf Finance totally of HK$500,000,000 (2017: HK$500,000,000) in respect of guarantee facilities to the wholly-owned subsidiary of the Company. Of this amount, at December 31, 2018, HK$495,000,000 (2017: HK$495,000,000) was utilised by the subsidiaries of the Company.

As at December 31, 2018, the Group has made arrangements with a bank to provide two separate performance bonds to the counterparties amounting to approximately HK$41.6 million, of which approximately HK$11.6 million was secured by bank deposits. The performance bonds are to guarantee in favour of the counterparties the Group's performance in fulfilling the obligations under a contract and the capital and programming expenditure requirement for providing the domestic free television programme service under the domestic free television programme service licence.

17. COMPARATIVES FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. There is no impact on net loss, net assets or net cash flows as a result of the reclassification.

18 EVENTS AFTER THE REPORTING PERIOD

(a) Grant of loan facility by Forever Top

On January 25, 2019, the Company entered into a loan agreement with Forever Top pursuant to which Forever Top agreed to grant an unsecured loan facility of principal amount up to HK$200 million to the Company, at the interest rate of Hong Kong Interbank Offered Rate per annum, for a period up to 18 months from the date of the loan agreement.

(b) Proposed Rights Issue

On January 25, 2019, the Company proposed to raise not more than approximately HK$465.5 million (assuming no new Shares are issued and no repurchase of Shares on or before the record date for determining entitlement under the Rights Issue) before expenses by way of the Rights Issue to the shareholders of the Company on the basis of three rights shares for every four existing shares in issue, at the subscription price of HK$0.1 per rights share. The proposed Rights Issue will be subject to the approval of the independent shareholders of the Company at the general meeting.

(c) Proposed issue of the LCS to Forever Top

On January 25, 2019, the Company entered into the LCS Subscription Agreement with Forever Top, pursuant to which the Company has conditionally agreed to issue, and Forever Top has conditionally agreed to subscribe for the LCS. The principal amount for the subscription will be the difference between HK$660 million and the aggregate gross proceeds raised in the proposed Rights Issue, and will be between HK$195 million and HK$660 million (assuming that there is no exercise of outstanding share options before the record date for determining entitlements under the Rights Issue). The LCS has a maturity of 10 years, with a coupon rate of 2% per annum, and can be convertible into shares of the Company at an initial conversion price of HK$0.125 per share which is subject to adjustments as set out in the LCS Subscription Agreement.

Details are set out in the Company's published announcement dated January 25, 2019.

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high standard of corporate governance practices, and procedures and to complying with the statutory and regulatory requirements with an aim to maximising the Shareholders' values and interests as well as to enhancing the stakeholders' transparency and accountability. During the financial period under review, the Company has complied with all applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules, except for the following deviation:

Code Provision A.6.7 of the Corporate Governance Code stipulates that independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. Generally, they should also attend general meetings to gain and develop a balanced understanding of the views of shareholders.

Dr. Cheng Kar-Shun, Henry, the vice-chairman of the Board and a non-executive Director, Dr. Cheng Chi-Kong, Adrian, a non-executive Director and Mr. Luk Koon Hoo, Roger, an independent non-executive Director, chairman of the audit committee of the Company (the "Audit Committee"), and a committee member of both the nomination committee of the Company and the compensation committee of the Company, were unable to attend the annual general meeting of the Company held on May 24, 2018 as they had other engagements at the time of such meeting.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. The Company, having made specific enquiries of all the Directors, was not aware of any non-compliance with the required standard set out in the Model Code during the year ended December 31, 2018.

AUDIT COMMITTEE AND REVIEW OF FINAL RESULTS

The Company has set up an Audit Committee with majority of the members being the independent non-executive Directors with terms of reference in accordance with the requirements of the Listing Rules for the purposes of, among others, reviewing the financial information of the Group, and oversighting the Group's financial reporting system, and risk management and internal control systems, as well as the Group's corporate governance matters. As at the date of this announcement, the Audit Committee comprises Mr. Luk Koon Hoo, Roger (an independent non-executive Director and the chairman of the Audit Committee), Mr. Hoong Cheong Thard (a non-executive Director) and Mr. Tang Sing Ming Sherman (an independent non-executive Director).

The audited consolidated financial statements of the Group for the year ended December 31, 2018 have been reviewed by the Audit Committee with no disagreement.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, and the related notes thereto for the year ended December 31, 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended December 31, 2018 (2017: HK$Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the year ended December 31, 2018.

CLOSURE OF REGISTER OF MEMBERS

For determining the eligibility to attend and vote at the forthcoming annual general meeting of the Company (the "AGM") to be held on Thursday, May 30, 2019, the Register of Members of the Company will be closed from Monday, May 27, 2019 to Thursday, May 30, 2019, 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 AGM, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, May 24, 2019.

By order of the Board
i-CABLE Communications Limited
Tan Sri Dato' David CHIU
Chairman

Hong Kong, March 29, 2019

As at the date of this announcement, the Board comprises ten Directors, namely Tan Sri Dato' David Chiu (Chairman), Dr. Cheng Kar-Shun, Henry (Vice-chairman), Dr. Cheng Chi-Kong, Adrian, Mr. Tsang On Yip, Patrick and Mr. Hoong Cheong Thard as non-executive Directors, Mr. Andrew Wah Wai Chiu as executive Director, and Mr. Lam Kin-Fung, Jeffrey, Dr. Hu Shao Ming Herman, Mr. Luk Koon Hoo, Roger and Mr. Tang Sing Ming Sherman as independent non-executive Directors.